Table of Contents

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, 2010
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 or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in 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, 2010, as reported by The Nasdaq Stock Market, was $63,430,697. The calculation of the aggregate market value of voting and non-voting stock excludes 14,369,372 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 15, 2011, was 46,027,474.

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 2011 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, 2010.

Table of Contents

SUNESIS PHARMACEUTICALS, INC.

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, and Section 21E of the Securities Exchange Act of 1934, as amended, that 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 strategy, including our plans with respect to 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, 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.

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

ITEM 1. *BUSINESS*

General

We are a biopharmaceutical company focused on the development and commercialization of new oncology therapeutics for the treatment of hematologic and solid tumor cancers. Our efforts are currently focused primarily on the development of vosaroxin (formerly voreloxin) for the treatment of acute myeloid leukemia, or AML. We have built a highly experienced cancer drug development organization committed to advancing our lead product candidate, vosaroxin, in multiple indications to improve the lives of people with cancer.

Vosaroxin is a first-in-class anti-cancer quinolone derivative, or AQD—a class of compounds that has not been used previously for the treatment of cancer. Quinolone derivatives have been shown to mediate anti-tumor activity by targeting mammalian topoisomerase II, an enzyme critical for cell replication. We own the worldwide development and commercialization rights to vosaroxin.

In December 2010, we commenced enrollment of a Phase 3, multi-national, randomized, double-blind, placebo-controlled, pivotal trial of vosaroxin in combination with cytarabine in patients with relapsed or refractory AML, or the VALOR trial. The VALOR trial is designed to evaluate the effect of vosaroxin in combination with cytarabine, a widely used chemotherapy in AML, on overall survival as compared to placebo in combination with cytarabine. The trial design is based on data from our Phase 2 clinical trial of vosaroxin in combination with cytarabine in first relapsed or primary refractory AML, together with guidance received from both U.S. and European regulatory agencies.

With an anticipated 450 evaluable patients, the trial is designed to have a 90% probability of detecting a 40% difference in overall survival. The trial includes a single pre-specified interim analysis by the independent Data Safety Monitoring Board, or DSMB, that may recommend a one-time sample size adjustment of 225 additional evaluable patients if deemed beneficial by the DSMB to maintain adequate power across a range of clinically meaningful and statistically significant survival outcomes. In February 2011, the FDA granted fast track designation to vosaroxin for the potential treatment of relapsed or refractory AML in combination with cytarabine.

We are also in the survival follow-up stage of two fully-enrolled clinical trials of vosaroxin: (a) the Phase 2 portion of a Phase 1b/2 trial of vosaroxin in combination with cytarabine for the treatment of patients with first relapsed or primary refractory AML, and (b) a Phase 2 trial (known as REVEAL-1) in previously untreated elderly patients with AML, which explored three different dose schedules. In addition, we completed a Phase 2 single agent trial of vosaroxin in platinum-resistant ovarian cancer patients in 2010, which explored three different dose cohorts. The most recent data from the AML studies were presented at the Chemotherapy Foundation Symposium XXVIII in November 2010, and the most recent data from the ovarian cancer study were presented at the American Society of Clinical Oncology 2010 Annual Meeting in June 2010.

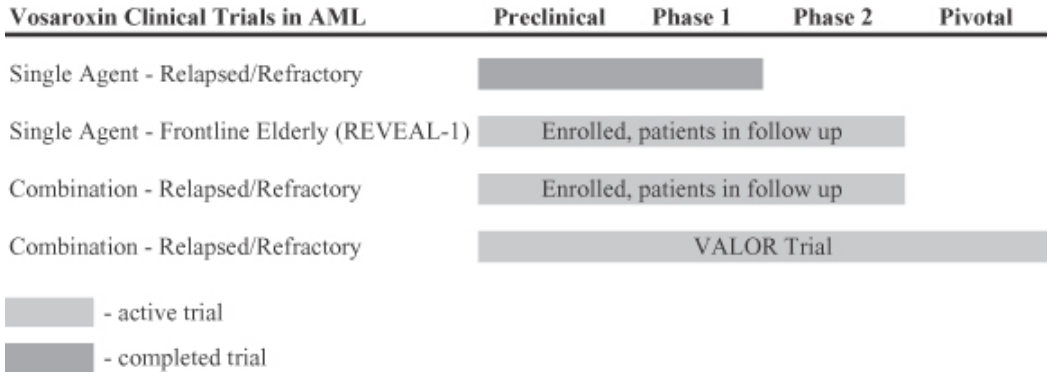
In 2009, the U.S. Food and Drug Administration, or FDA, granted orphan drug designation to vosaroxin for the treatment of AML. In July 2010, we announced that the European Patent Office, or EPO, had granted us a patent covering combinations of vosaroxin with cytarabine. The patent provides coverage to 2025 for such combination products in 30 member states of the European Patent Convention. In November 2010, we announced that the U.S. Patent and Trademark Office had granted us a patent covering pharmaceutical compositions of vosaroxin, and in March 2011, we announced that the EPO had granted us a similar patent, which we are proceeding to validate in multiple EPO member states. These patents cover the formulation used in our VALOR trial and extend vosaroxin's patent life to 2025. Related patent applications are pending in other major markets throughout the world, including Japan, Australia and Canada.

Vosaroxin

Vosaroxin is a first-in-class AQD—a class of compounds that has not been used previously for the treatment of cancer. Quinolone derivatives have been shown to mediate anti-tumor activity by targeting mammalian topoisomerase II, an enzyme critical for cell replication. Vosaroxin acts by DNA intercalation and inhibition of topoisomerase II in replicating cancer cells. The resulting site-selective DNA damage rapidly causes the cancer cells to stop dividing and die. In preclinical studies, vosaroxin demonstrated broad anti-tumor activity and appears to exhibit additive or synergistic activity when combined with several therapeutic agents currently used in the treatment of cancer, including cytarabine. Clinical activity is observed in both solid and hematologic malignancies. We licensed worldwide development and commercialization rights to vosaroxin from Dainippon Sumitomo Pharma Co., Ltd. in 2003.

Acute Myeloid Leukemia

The following chart summarizes the status of clinical trials in AML that have been conducted or are currently being conducted with vosaroxin:



Since 2004, we have initiated eight clinical trials with vosaroxin. A Phase 1 clinical trial was conducted to evaluate two dosing schedules of vosaroxin in patients with advanced solid tumors. A further Phase 1 clinical trial was conducted to evaluate doses and schedules of administration of vosaroxin in patients with relapsed/refractory acute leukemia. We also conducted two Phase 2 studies in non-small cell lung cancer and small cell lung cancer. Partial responses were observed in both lung cancer studies, but it was determined that vosaroxin could be dosed with greater intensity given the low incidence of grade 3/4 neutropenia (15% or less). Thus, the studies were halted and we may consider future vosaroxin studies in lung cancer or in other solid tumors and hematologic malignancies.

In December 2010, we commenced enrollment of the VALOR trial, a Phase 3, randomized, double-blind, placebo-controlled, pivotal clinical trial of vosaroxin in combination with cytarabine in patients with relapsed or refractory AML. The VALOR trial is designed to evaluate the effect of vosaroxin in combination with cytarabine, a widely used chemotherapy in AML, on overall survival as compared to placebo in combination with cytarabine. The trial design is based on data from our Phase 2 clinical trial of vosaroxin in combination with cytarabine in first relapsed or primary refractory AML, together with guidance received from both U.S. and European regulatory agencies. The trial is expected to enroll 450 evaluable patients at approximately 100 leading sites in the U.S., Canada, Europe, Australia and New Zealand, and is designed to have a 90% probability of detecting a 40% difference in overall survival. The trial includes a single pre-specified interim analysis by the independent DSMB, which may recommend a one-time sample size adjustment of 225 additional evaluable patients if deemed beneficial by the DSMB to maintain adequate power across a range of clinically meaningful and statistically significant survival outcomes.

In January 2010, we completed enrollment in the Phase 2 portion of a Phase 1b/2 clinical trial of vosaroxin in combination with cytarabine for the treatment of patients with relapsed/refractory AML. The trial is designed to evaluate the safety, pharmacokinetics and anti-leukemic activity of escalating doses of vosaroxin when administered in combination with cytarabine given either as continuous infusion or as a two hour IV infusion. A total of 69 patients were evaluable for efficacy outcomes in the expansion Phase 2 populations of the trial, which includes primary refractory and first relapsed AML patients. Among evaluable first relapsed (n=36) and primary refractory patients (n=33), median overall survival was 7.1 months and the combined complete remission rate (including complete remissions, or CR, complete remissions without full platelet recovery, or CRp, and complete remissions with incomplete recovery, or CRi) was 29%, with a CR rate of 25%. Vosaroxin in combination with either bolus or continuous infusion cytarabine was generally well-tolerated. Infection-related toxicities were the most common Grade 3 or higher non-hematologic adverse events. In addition, Grade 3 or higher oral mucositis was observed in 16% of the population and was manageable. All-cause mortality among these patients was 3% at 30 days and 9% at 60 days. Preliminary median leukemia-free survival is 14.4 months and 22% of the patients in the Phase 2 portion received hematopoietic stem cell transplants. This data was presented at the Chemotherapy Foundation Symposium XXVIII in November 2010.

In October 2009, we completed enrollment in a Phase 2 single agent clinical trial of vosaroxin in previously untreated elderly AML patients. The trial includes three dosing schedules: Schedule A, once weekly for three weeks (n=29); Schedule B, once weekly for two weeks (n=35); and Schedule C, on days one and four at either 72 mg/m^2 (n=29) or 90 mg/m^2 (n=20). Median survival was 8.6 months in Schedule A, 5.7 months in Schedule B, and 7.7 months in Schedule C (72 mg/m^2). One year survival was 38% for Schedule A, 32% in Schedule B, and 38% in Schedule C (72 mg/m^2). Based on trial results, Schedule C (72 mg/m^2) was determined to be the recommended pivotal dose regimen. For Schedule C, the CR plus CRp rate was 38%; 30-day all-cause mortality was 7%. This data was presented at the Chemotherapy Foundation Symposium XXVIII in November 2010.

Ovarian Cancer

In mid-2010, we completed a Phase 2 single agent trial of vosaroxin in platinum-resistant ovarian cancer. Three dose cohorts of vosaroxin were studied: Cohort A, 48 mg/m^2 given every three weeks (n=65), Cohort B, 60 mg/m^2 given every four weeks (n=37) and Cohort C, 75 mg/m^2 given every four weeks (n=35). Data from this trial show encouraging durable anti-tumor activity across all three dose cohorts. The overall response rate, or ORR, was 11% for Cohorts A and B, and 9% for Cohort C. Disease control, defined as an objective response or stable disease for 12 weeks or more, was similar across the cohorts: 48% for Cohort A, 54% for Cohort B, and 57% for Cohort C. The median progression free survival, or PFS, for Cohort A was 83 days, for Cohort B was 85 days, and for cohort C was 110 days. Overall PFS was longer in Cohort C as compared to Cohorts A and B, suggesting a benefit to higher vosaroxin doses; however, this cohort had a higher incidence of febrile neutropenia (29%) than Cohorts A (9%) or B (5%). Based on activity and tolerability, the dose/schedule represented by Cohort B was selected for future consideration. Four partial responses were achieved in the 44 women who were Doxil® failures, for an ORR of 9%, and 66% achieved disease control. The median PFS in these Doxil® failure patients was 91 days. PFS was not statistically different from those who had not failed Doxil®. Overall, the adverse event profile was similar across cohorts and vosaroxin was generally well-tolerated. Grade 3 or higher adverse events occurring in more than 10% of patients included neutropenia, febrile neutropenia, fatigue, and anemia. This data was presented at the American Society of Clinical Oncology 2010 Annual Meeting in June 2010.

Dainippon Sumitomo Pharma Co., Ltd. Licensing Agreement

In October 2003, we entered into an agreement with Dainippon Sumitomo Pharma Co., Ltd., or Dainippon, to acquire exclusive worldwide development and marketing rights for our lead anti-cancer product candidate, vosaroxin. In January 2011, we made a $0.5 million milestone payment to Dainippon as a result of the initiation of our VALOR trial in December 2010. In the future we may be required to make additional milestone payments of up to $7.0 million to Dainippon, for (a) filing new drug applications, or NDAs, in the United States,

Europe and Japan, and (b) for receiving regulatory approvals in these regions, for cancer-related indications. If vosaroxin is approved for a non-cancer indication, an additional milestone payment becomes payable to Dainippon.

The agreement also provides for royalty payments to Dainippon at rates that are based on total annual net sales. Under the agreement, we may reduce our royalty payments to Dainippon 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 to Dainippon its rights to the product in that region. The agreement may be terminated by either party for the other party's uncured breach or bankruptcy.

Strategic Collaborations

Overview

Over the past three years, we have generated revenue primarily through collaborations with Biogen Idec, Johnson & Johnson Pharmaceutical Research & Development LLC, or J&JPRD, and Merck & Co., Inc., or Merck, consisting principally of research funding and milestones paid by our collaborators, which substantially offset the related research and development expenses. Our collaborations with J&JPRD and Merck terminated in January 2010 and June 2010, respectively. From January 1, 2008 to December 31, 2010, we recorded an aggregate of $6.5 million in revenues from our collaboration partners. In 2008 and 2009, we received $4.3 million and $1.5 million, respectively, from Biogen Idec, which represented 80% and 40% of our total revenues for these periods. In 2010, we recorded no revenue related to Biogen Idec.

Biogen Idec

In August 2004, we entered into a collaboration agreement with Biogen Idec to discover, develop and commercialize small molecule inhibitors of Raf kinase and up to five additional targets that play a role in oncology and immunology indications or in the regulation of the human immune system. Concurrent with the signing of the agreement, Biogen Idec paid a $7.0 million upfront technology access fee and made a $14.0 million equity investment in Sunesis through the purchase of our Series C-2 preferred stock, which converted into common stock upon our initial public offering in September 2005.

Pursuant to the terms of the collaboration agreement, we applied our fragment-based drug discovery technology, Tethering, to generate small molecule leads during the research term, for which we received research funding, which was paid in advance to support some of our scientific personnel. In connection with our June 2008 restructuring, the parties agreed to terminate the research term and related funding as of June 30, 2008. A total of $20.0 million of research funding was received through this date. We have received a total of $3.0 million in milestone payments for meeting certain preclinical milestones through December 31, 2010, including a $1.5 million milestone received in cash in July 2009 for Biogen Idec's selection of a Raf kinase inhibitor development candidate for the treatment of cancer.

We may in the future receive pre-commercialization milestone payments of up to $60.5 million per target, as well as royalty payments depending on product sales. Potential total royalty payments may be increased if we exercise our option to co-develop and co-promote product candidates for up to two targets worldwide (excluding Japan) and may be reduced if Biogen Idec is required to in-license additional intellectual property related to certain technology jointly developed under the collaboration agreement in order to commercialize a collaboration product.

In November 2010, Biogen Idec announced that it will seek to spin out or outlicense certain oncology assets, including programs under this collaboration agreement. We cannot predict the outcome of this strategic decision by Biogen Idec or its impact on future development activity under the collaboration agreement or on our prospects for the receipt of milestone or royalty payments under the collaboration agreement. We expect that a Phase 1 clinical trial will be initiated in 2011 for the Raf kinase inhibitor program.

Manufacturing

We do not have internal manufacturing capabilities for the production of clinical or commercial quantities of vosaroxin. To date, we have relied 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 the vosaroxin active pharmaceutical ingredient, or API, the finished drug product incorporating the API, or FDP, and the placebo used in the VALOR trial. We do not have commercial supply agreements with any 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 the vosaroxin API, which is manufactured through a multi-step convergent synthesis in which two intermediates are manufactured in a parallel process and then combined and de-protected in the final two steps. We recently started working with the second vosaroxin API manufacturer, and to date no vosaroxin FDP has been formulated from the vosaroxin API supplied by this second manufacturer. We also currently rely on 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. We believe that there are at least five contract manufacturers with suitable facilities in North America to manufacture the vosaroxin API, and at least four with suitable facilities for the manufacture of vosaroxin FDP. There are also a number of manufacturers with suitable facilities outside of North America, including one of our vosaroxin API manufacturers. If we are unable to obtain sufficient quantities of the vosaroxin API and FDP from our current manufacturers, it may take time to engage alternative manufacturers, which could delay the development of and impair our ability to commercialize vosaroxin.

To date, vosaroxin has been manufactured in quantities appropriate for preclinical studies and clinical trials. New lots of vosaroxin API and FDP will need to be manufactured and released to support our current and planned clinical activities, including the VALOR trial and stability assessments required for regulatory approval. Prior to being approved for commercial sale, we will seek to arrange for the manufacture of vosaroxin API and FDP in larger quantities. Any significant scale-up of manufacturing will be accompanied by process validation studies, which are required to be reviewed by the FDA prior to regulatory approval.

In addition, the cytarabine used in our VALOR trial is procured from third party distributors. Cytarabine is currently in short supply, but to date we have been able to procure necessary supplies to support our VALOR trial. Additional procurement of cytarabine will be necessary to complete the VALOR trial.

Competition

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 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.

Vosaroxin is a small molecule therapeutic that will compete with other drugs and therapies that currently exist or are being developed for the treatment of cancer. Some of the current key competitors to vosaroxin in

AML include Genzyme Corporation's clofarabine and Celgene Corporation's azacitidine. We expect competition for vosaroxin for the treatment of AML to increase as additional products are developed and approved in various patient populations.

We believe that our ability to successfully compete in the marketplace with vosaroxin and any future product candidates, if any, will depend on, among other things:

- our ability to develop novel compounds with attractive pharmaceutical properties and to secure, protect and maintain intellectual property rights based on our innovations;
- the efficacy, safety and reliability of our product candidates;
- the speed at which we develop our product candidates;
- our ability to design and successfully execute appropriate clinical trials;
- our ability to maintain a good relationship with regulatory authorities;
- our ability to obtain, and the timing and scope of, regulatory approvals;
- our ability to manufacture and sell commercial quantities of future products to the market; and
- acceptance of future products by physicians and other healthcare providers.

Intellectual Property

We believe that patent protection is crucial to our business and that our future success depends in part on our ability to obtain patents protecting vosaroxin or future drug candidates, if any. Historically we have patented a wide range of technology, inventions and improvements related to our business, but which we are no longer actively developing.

The vosaroxin composition of matter is covered by U.S. patent 5,817,669 and its counterpart patents in 43 foreign jurisdictions. U.S. patent 5,817,669 is due to expire in October 2015, and most of its foreign counterparts are due to expire in June 2015. In July 2010, we announced that the European Patent Office, or EPO, had granted us a patent covering combinations of vosaroxin with cytarabine. The patent was validated and provides coverage for such combination products in 30 member states of the European Patent Convention and is due to expire in 2025. In November 2010, we announced that the U.S. Patent and Trademark Office granted us a patent covering certain pharmaceutical compositions of vosaroxin, and in March 2011, we announced that the EPO had granted us a similar patent, which we are proceeding to validate in multiple EPO member states. These patents cover the formulation used in our VALOR trial and are due to expire in 2025. Related patent applications are pending in other major markets throughout the world, including Japan, Australia and Canada.

As of December 31, 2010, approximately 76 U.S. and foreign applications pertaining to vosaroxin and compositions and uses thereof were pending. When appropriate, we intend to seek patent term restoration, 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. In 2009, the FDA granted orphan drug designation to vosaroxin for the treatment of AML.

Our ability to build and maintain our proprietary position for vosaroxin and any future drug candidates, if any, will depend on our success in obtaining effective claims and enforcing those claims if granted. 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 vosaroxin or future drug candidates, if any. The patents we own or license and those that may issue 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.

Patent applications filed before November 29, 2000 in the United States are maintained in secrecy until patents issue. Later filed U.S. applications and patent applications in most foreign countries generally are not published until at least 18 months after their earliest filing date. Scientific and patent publication often occurs long after the date of the scientific discoveries disclosed in those publications. Accordingly, we cannot be certain that we were the first to invent the subject matter covered by any patent application or that we were the first to file a patent application for any inventions.

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 vosaroxin or future drug candidates, if any, or be required to obtain licenses to such patents or to develop or obtain alternative technology.

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, if any, 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.

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. There can be no assurance that these agreements 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 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. 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.

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 entities regulate research and development activities and the testing, manufacture, quality control, safety, efficacy, labeling, storage, recordkeeping, approval, advertising and promotion of vosaroxin and any future drug candidates we may develop, if any. The application of these regulatory frameworks to the development, approval and commercialization of vosaroxin or our future drug candidates, if any, 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 vosaroxin and any future drug candidates may be marketed in the United States generally involves the following:

- completion of extensive preclinical laboratory tests, *in vivo* preclinical studies and formulation studies;
- submission to the FDA of an Investigational New Drug, or 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, or 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 any approvals for vosaroxin or our future drug candidates, if any, will be granted on a timely basis, if at all.

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 FDA receipt of Orphan Drug Designation, the sponsor is eligible for tax credits of up to 50% for qualified clinical trial expenses, the ability to apply for annual grant funding, waiver of Prescription Drug User Fee Act (PDUFA) application fee, and upon approval, the potential for seven years of market exclusivity for the orphan-designated product for the orphan-designated indication.

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. Our submission of an IND, or those submitted by Biogen Idec or our potential future collaboration partners, if any, may not result in FDA authorization to commence a clinical trial.

Clinical Trials

Clinical trials involve the administration of an IND 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, or 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, or 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 second safety-focused Phase 1 clinical trial typically designed to evaluate the impact of the drug candidate in combination with currently approved drugs.

- *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 condition approval of an NDA for a drug candidate on a sponsor's agreement to conduct additional clinical trials to further assess the drug's safety and efficacy after NDA approval. Such post-approval trials are typically referred to as Phase 4 clinical trials.

New Drug Applications

The testing and approval processes are likely to require substantial cost, time and effort, and there can be no assurance that any approval will be granted on a timely basis, if at all. The FDA may withdraw product approvals if compliance with regulatory standards is not maintained or if problems occur following initial marketing.

The results of development, preclinical testing and clinical trials, together with extensive manufacturing information and a substantial user fee, are submitted to the FDA as part of an NDA for approval of the marketing and commercial distribution of the drug. The review process routinely takes 10 months but is often significantly extended by FDA requests for additional information or clarification. The FDA may refer the NDA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. The FDA may deny approval of an NDA if the applicable regulatory criteria are not satisfied, or it may require additional clinical testing. Even if data from such testing are obtained and submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data from clinical trials are not always conclusive and the FDA may interpret data differently than we or Biogen Idec, or our potential future collaboration partners, if any, interpret data. If regulatory approval is granted, such approval may entail limitations on the indicated uses for which the product may be marketed.

Once issued, the FDA may withdraw drug approval if ongoing regulatory requirements are not met or if safety problems occur after the drug reaches the market. In addition, the FDA may require testing, including Phase 4 clinical trials, and surveillance programs to monitor the effect of approved products that have been commercialized, and the FDA has the power to prevent or limit further marketing of a drug based on the results of these post-marketing programs. Drugs may be marketed only for approved indications and in accordance with the provisions of the approved label. Further, if there are any modifications to the drug, including changes in indications, labeling, or manufacturing processes or facilities, we may be required to submit and obtain FDA approval of a new NDA or NDA supplement, which may require us to develop additional data or conduct additional preclinical studies and clinical trials.

Fast Track Designation

FDA's fast track program is intended to facilitate the development, and to expedite the review, of drugs that are intended for the treatment of a serious or life-threatening condition for which there is no effective treatment and demonstrate the potential to address unmet medical needs for the condition.

With fast track designation, the FDA may initiate review of sections of an NDA before the application is complete. This rolling review is available if the applicant provides and the FDA approves a schedule for the submission of the remaining information and the applicant pays applicable user fees. However, the time period specified in the Prescription Drug User Fees Act, which governs the time period goals the FDA has committed to reviewing an application, does not begin until the complete application is submitted. Additionally, the fast track designation may be withdrawn by the FDA if the FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

In some cases, a fast track designated drug candidate may also qualify for one or more of the following programs:

- *Priority Review.* Under FDA policies, a drug candidate is eligible for priority review, or review within six-months from the time a complete NDA is accepted for filing, if the drug candidate provides a significant improvement compared to marketed drugs in the treatment, diagnosis or prevention of a disease. A fast track designated drug candidate would ordinarily meet the FDA's criteria for priority review.

- *Accelerated Approval.* Under the FDA's accelerated approval regulations, the FDA is authorized to approve drug candidates that have been studied for their safety and efficacy in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit to patients over existing treatments based upon either a surrogate endpoint that is reasonably likely to predict clinical benefit or on the basis of an effect on a clinical endpoint other than patient survival. In clinical trials, surrogate endpoints are alternative measurements of the symptoms of a disease or condition that are substituted for measurements of observable clinical symptoms. A drug candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of Phase 4 clinical trials to validate the surrogate endpoint or confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or to validate a surrogate endpoint or confirm a clinical benefit during post-marketing studies, will allow the FDA to withdraw the drug from the market on an expedited basis. All promotional materials for drug candidates approved under accelerated regulations are subject to prior review by the FDA.

In February 2011, the FDA granted fast track designation to vosaroxin for the potential treatment of relapsed or refractory AML in combination with cytarabine. We do not know whether vosaroxin or our future drug candidates, if any, will receive a priority review designation or, if a priority designation is received, whether that review or approval will be faster than conventional FDA procedures. We also cannot predict whether vosaroxin or our future drug candidates, if any, will obtain accelerated approval or priority review, or the ultimate impact, if any, of the fast track or the accelerated approval process on the timing or likelihood of FDA approval of vosaroxin or our future drug candidates, if any.

Satisfaction of FDA regulations and approval requirements or similar requirements of foreign regulatory agencies typically takes several years, and the actual time required may vary substantially based upon the type, complexity and novelty of the product or disease. Typically, if a drug candidate is intended to treat a chronic disease, as is the case with vosaroxin, safety and efficacy data must be gathered over an extended period of time. Government regulation may delay or prevent marketing of drug candidates for a considerable period of time and impose costly procedures upon our activities. The FDA or any other regulatory agency may not grant approvals for new indications for our drug candidates on a timely basis, or at all. Even if a drug candidate receives regulatory approval, the approval may be significantly limited to specific disease states, patient populations and dosages. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a drug may result in restrictions on the drug or even complete withdrawal of the drug from the market. Delays in obtaining, or failures to obtain, regulatory approvals for any of our drug candidates would harm our business. In addition, we cannot predict what adverse governmental regulations may arise from future U.S. or foreign governmental action.

Other Regulatory Requirements

Any drugs manufactured or distributed by us or Biogen Idec, or our potential future 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. Failure to comply with these requirements can result in

adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. 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.

Foreign Regulation

In addition to regulations in the United States, we are subject to foreign regulations governing clinical trials and commercial sales and distribution of vosaroxin or our future drug candidates, if any. Our VALOR trial is expected to enroll patients in Europe, Canada, Australia and New Zealand. We may in the future initiate clinical trials in other countries throughout the world. 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, or MS, and the applicable Ethics Committees, or 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 the company may proceed with the clinical trial.

Under the European Union regulatory systems, marketing authorizations may be submitted either under a centralized or mutual recognition procedure. The centralized procedure provides for the grant of a single marketing authorization that is valid for all European Union member states. The mutual recognition procedure provides for mutual recognition of national approval decisions. Under this procedure, the holder of a national marketing authorization may submit an application to the remaining member states. Within 90 days of receiving the application and assessment report, each member state must decide whether to recognize approval.

Under the Canadian regulatory system, Health Canada is the regulatory body that governs the sale of drugs for the purposes of use in clinical trials. Accordingly, any company that wishes to conduct a clinical trial in Canada must submit a clinical trial application to Health Canada. Health Canada reviews the application and notifies the company within 30 days if the application is found to be deficient. If the application is deemed acceptable, Health Canada will issue a no objection letter to the company within the 30-day review period which means the company may proceed with its clinical trial(s).

In addition to regulations in the United States, the European Union and Canada, 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 practice insurance companies.

Research and Development Expenses

We incurred $14.4 million, $13.2 million and $26.3 million of research and development expenses in 2010, 2009 and 2008, respectively. We do not anticipate incurring any significant additional research expenses related to the discovery of additional product candidates, the development or application of fragment-based drug discovery methods, the development of in-house research capabilities, or on the clinical development of product

candidates other than vosaroxin. In addition, we are no longer conducting any research activities in connection with our collaboration with Biogen Idec. However, we have incurred and expect to continue to incur increased levels of research and development expenses to conduct further clinical and related development of vosaroxin.

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, 2010, our workforce consisted of 27 full-time employees. Of our total workforce, 17 are engaged in research and development and 10 are engaged in general and administrative 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 as Mosaic Pharmaceuticals, Inc., and subsequently changed our name to Sunesis Pharmaceuticals, Inc. 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.

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 report in weighing a decision to purchase our common stock. 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 complete the development and potential commercialization of vosaroxin.

We believe that with $53.4 million in cash and investments as of December 31, 2010, we currently have the resources available and accessible to fund our operations until the planned unblinding of the VALOR trial in 2013. To the extent that the costs of the VALOR trial exceed our current estimates, unblinding does not occur within the currently anticipated timeframe or we are unable to raise sufficient additional capital through our controlled equity offering facility or otherwise, we will need to reduce operating expenses, enter into a collaboration or other similar arrangement with respect to development and/or commercialization rights to vosaroxin, outlicense intellectual property rights to vosaroxin, sell assets, or a combination of the above. We will need to raise substantial additional capital if we expand the number of patients included in the trial based on the pre-specified interim analysis of data from the trial by the DSMB.

In addition, we will need to raise substantial additional capital to:

- complete the development and potential commercialization of vosaroxin;
- fund additional clinical trials of vosaroxin and seek regulatory approvals;
- 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, including the VALOR trial in particular;
- the need for additional or expanded clinical trials (including in particular potential expansion of the number of patients included in the VALOR trial based on the pre-specified interim analysis of data from the trial by the DSMB);
- the economic and other terms and timing of any licensing, collaboration or other similar arrangement into which we may enter;
- the costs and timing of seeking and obtaining FDA and other regulatory approvals;
- the extent of our other development activities;

- 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; and
- the effect of competing technological and market developments.

Until we can generate a sufficient amount of licensing or 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, a possible license, collaboration or other similar arrangement with respect to development and/or commercialization rights to vosaroxin, 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 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 vosaroxin development program, potentially including the VALOR trial, and/or limit or cease our operations.

We may not be able to raise necessary additional funding pursuant to our controlled equity offering facility with Cantor and, as a result, may need to try to obtain additional capital through alternative financing options then available to us, if any, to fully finance the VALOR trial through to its unblinding and otherwise continue our operations.

On April 28, 2010, we entered into a controlled equity offering sales agreement with Cantor, pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to $20.0 million from time to time through Cantor acting as agent and/or principal. As of March 15, 2011, we had sold an aggregate of 3.7 million shares of common stock at an average price of $4.32 per share for gross proceeds of $16.0 million. As of March 15, 2011, approximately $4.0 million of common stock was available to be sold under this facility, subject to certain conditions as specified in the agreement. Notwithstanding, we may be limited under the terms of the facility in the number of shares of common stock we may issue and the resulting amount of capital that we could raise pursuant thereto. Any such limitation may be due to a number of factors, including as a result of the termination of the facility due to a material breach of its terms by us or Cantor's election to terminate the facility in its discretion. In addition, we may be subject to limitations on the number of shares of common stock we may sell pursuant to the facility due to the eligibility requirements for use of a Form S-3 Registration Statement and other applicable legal restrictions. As a result, there is no assurance that the controlled equity offering facility will be available when required or that we will be able to raise the necessary funding pursuant thereto in order to fully finance the VALOR trial until its planned unblinding and otherwise continue our operations. In such event, we will need to raise additional capital through alternative financing options then available to us, if any.

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, 2010, 2009 and 2008 were $24.6 million, $40.2 million and $37.2 million, respectively. As of December 31, 2010, we had an accumulated deficit of $381.0 million. We do not currently have any products that have been approved for marketing, and we continue to incur substantial development and general and administrative expenses related to our operations. We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase significantly as the VALOR trial progresses, as we seek

regulatory approvals for vosaroxin, and as we commercialize vosaroxin, if approved. 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 research collaboration agreements with Biogen Idec, Merck and J&J PRD. As of December 31, 2010, our only remaining ongoing collaboration is with Biogen Idec; however, the research phase for this collaboration is completed. On November 3, 2010, Biogen Idec announced that it will seek to spin out or outlicense certain oncology assets, including the collaboration agreement with us. We cannot predict the outcome of this strategic decision by Biogen Idec or its impact on future development activity under our collaboration agreement or on our prospects for the receipt of milestone or royalty payments under the collaboration agreement. We do not expect to enter into any new collaboration agreement that will result in research revenue for us. We also do not anticipate that we will generate revenue from the sale of products for the foreseeable future. In the absence of additional sources of capital, which may not be available to us on acceptable terms, or at all, the development of vosaroxin or future product candidates, if any, 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.

The development of vosaroxin could be halted or significantly delayed for various reasons; our clinical trials for vosaroxin may not demonstrate safety or efficacy or lead to regulatory approval.

Vosaroxin is vulnerable to the risks of failure inherent in the drug development process. We need to conduct significant additional preclinical studies and clinical trials before we can attempt to demonstrate that vosaroxin is safe and effective to the satisfaction of the FDA and other regulatory authorities. 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.

For example, we terminated two Phase 2 clinical trials of vosaroxin in small cell and non-small cell lung cancer. If our clinical trials result in unacceptable toxicity or lack of efficacy, we may have to terminate them. If clinical trials are halted, or if they do not show that vosaroxin is safe and effective in the indications for which we are seeking regulatory approval, our future growth will be limited and we may not have any other product candidates to develop.

We do not know whether our ongoing clinical trials or any other future clinical trials with vosaroxin or any of our product candidates, including the VALOR trial in particular, 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 of our planned or future clinical trials could be substantially delayed or prevented by several factors, including:

- delays or failures to raise additional funding;
- results of meetings with the FDA and/or other regulatory bodies;
- a limited number of, and competition for, suitable patients with particular types of cancer for enrollment in our clinical trials;
- delays or failures in obtaining regulatory approval to commence a clinical trial;
- delays or failures in obtaining sufficient clinical materials;
- delays or failures in obtaining approval from independent institutional review boards 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.

The completion of our clinical trials could also be substantially delayed or prevented by several factors, including:

- delays or failures to raise additional funding;
- 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 (including, in particular, potential expansion of the number of patients included in our VALOR trial based on the pre-specified interim analysis of data by the DSMB);
- delays or failures in obtaining sufficient clinical materials, including vosaroxin, its matching placebo and cytarabine;
- 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. 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-party manufacturers that are capable of manufacturing vosaroxin API and FDP to supply us with our vosaroxin API and FDP and the placebo used in the VALOR trial. If we fail to obtain sufficient quantities of these materials, the VALOR trial and the development of vosaroxin could be halted or significantly delayed. In addition, we have previously identified product impurities in the vosaroxin API, and there is no assurance they will not occur in the future.

We do not currently own or operate manufacturing facilities and lack the capability to manufacture vosaroxin on a clinical or commercial scale. As a result, we rely on third parties to manufacture vosaroxin API and FDP and the placebo product used in the VALOR trial. The vosaroxin API is classified as a cytotoxic substance, limiting the number of available manufacturers.

We currently rely on two contract manufacturers for the vosaroxin API, which is manufactured through a multi-step convergent synthesis in which two intermediates are manufactured in a parallel process and then combined and de-protected in the final two steps. We recently started working with the second vosaroxin API manufacturer, and to date no vosaroxin FDP has been formulated from the vosaroxin API supplied by this second manufacturer. We also currently rely on a single contract manufacturer to formulate the vosaroxin API and fill and finish vials of the vosaroxin FDP.

If our third-party vosaroxin API or FDP manufacturers are unable or unwilling to produce the vosaroxin API or FDP or placebo 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 vosaroxin API or FDP for six to nine months. 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 must approve any replacement manufacturer before it can be an approved commercial supplier. Such approval would require new testing 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 vosaroxin API, FDP and placebo needs for the foreseeable future.

Vosaroxin requires precise, high quality manufacturing. We have observed visible particles during stability studies of two vosaroxin FDP lots. We have since identified a process impurity in the vosaroxin API that, when formulated into the packaged vial of the vosaroxin FDP, can result in the formation of particles over time. As a response to these findings, we implemented, and continue to monitor and adjust, a revised manufacturing process to seek to control the impurity and thereby prevent particle formation. Two lots of vosaroxin API manufactured using a revised manufacturing process were formulated into FDP lots that have both completed up to 24 months of stability testing at room temperature without formation of particles. It will take time to evaluate whether or not our revised manufacturing process for vosaroxin API will be successful in stopping the formation of particles in FDP lots over the longer term, and to evaluate whether or not such control of particle formation can also be reliably and consistently achieved in subsequent lots over the shorter or longer term. If our changes in manufacturing process do not adequately control the formation of visible particles, we will need to discuss other possibilities with the FDA and/or other regulatory bodies, which could include a temporary clinical hold of the VALOR trial until the issue has been resolved to their satisfaction.

In addition to process impurities, our contract manufacturers' failure 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 and 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.

To date, vosaroxin has been manufactured in quantities appropriate for preclinical studies and clinical trials. New lots of API and FDP will need to be manufactured and released to support our VALOR trial and stability assessments required for regulatory approval. There can be no assurance that we will be able to obtain a sufficient supply of vosaroxin API and FDP to supply our VALOR trial at the anticipated rate of enrollment or to continue the trial without interruption. Prior to being approved for commercial sale, we will need to manufacture API and FDP in larger quantities. Any significant scale-up of manufacturing will be accompanied by process validation studies, which are required to be reviewed by the FDA prior to approval. If we are unable to successfully increase the manufacturing capacity for vosaroxin, the regulatory approval or commercial launch may be delayed or there may be a shortage in commercial supply.

We rely on third-party distributors for the supply of cytarabine for our VALOR trial. Cytarabine is in short supply throughout the world, and there is no guarantee we can procure sufficient quantities to supply our VALOR trial.

The cytarabine used in our VALOR trial is procured from third-party distributors. Cytarabine is currently in short supply throughout the world. Additional procurement of cytarabine will be necessary to complete the VALOR trial. If we are unable to procure the necessary supplies to support our VALOR trial, the trial will be delayed. Any significant delay could seriously harm our business.

The failure to enroll patients for clinical trials may cause delays in developing vosaroxin.

We may encounter delays if we are unable to enroll enough patients to complete clinical trials of vosaroxin, including the VALOR trial. 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. Patients participating in our trials may elect to leave our trials and switch to alternative treatments that are available to them, either commercially or on an expanded access basis, or in other clinical trials. Competing treatments include nucleoside analogs, anthracyclines and hypomethylating agents. Moreover, when one product candidate is evaluated in multiple clinical trials simultaneously, patient enrollment in ongoing trials can be adversely affected by negative results from completed trials. In the VALOR trial, vosaroxin is being tested in patients with AML, which can be a difficult patient population to recruit.

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

Prior to receiving approval to commercialize vosaroxin or future product candidates, if any, in the United States or abroad, we must demonstrate with substantial evidence from well-controlled clinical trials, to the satisfaction of the FDA 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, and the favorable results from previous trials of vosaroxin may not be experienced in the VALOR trial. Even if we believe the preclinical or clinical data are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. In addition, although we believe that our discussions with the FDA support the potential approval of vosaroxin for the treatment of AML based on positive results from the VALOR trial without the need to conduct additional clinical trials, the FDA has substantial discretion in the approval process and may not grant approval based on data from this trial.

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

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 vosaroxin. 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 expect to expand our development capabilities, 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 expect to expand our development capabilities 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 vosaroxin.

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 or compounds claimed in issued and unexpired patents owned or controlled by the third party, we may need to obtain a license, enter into litigation to challenge the validity of the patents or incur the risk of litigation in the event that a third party asserts that we infringe its patents.

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 vosaroxin or any future product candidates infringe a third party's patent or other proprietary rights;
- a court order prohibiting us from selling or licensing vosaroxin 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 vosaroxin, 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 AML and ovarian cancer. 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 believe that our ability to successfully compete in the marketplace with vosaroxin and any future product candidates, if any, will depend on, among other things:

- our ability to develop novel compounds with attractive pharmaceutical properties and to secure, protect and maintain intellectual property rights based on our innovations;
- the efficacy, safety and reliability of our product candidates;
- the speed at which we develop our product candidates;
- our ability to design and successfully execute appropriate clinical trials;
- our ability to maintain a good relationship with regulatory authorities;
- our ability to obtain, and the timing and scope of, regulatory approvals;

- our ability to manufacture and sell commercial quantities of future products to the market; and
- acceptance of future products by physicians and other healthcare providers.

Vosaroxin is a small molecule therapeutic that will compete with other drugs and therapies that currently exist or are being developed. There are a number of compounds in development for the treatment of AML, including Genzyme Corporation's clofarabine and Celgene Corporation's azacitidine. Each of these or other compounds could become potential competitors for vosaroxin, if approved.

We expect competition for vosaroxin for the treatment of AML to increase as additional products are developed and approved in various patient populations. If our competitors market products that are more effective, safer or less expensive than vosaroxin or our other 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 vosaroxin or any future product candidates obsolete.

Our proprietary rights may not adequately protect vosaroxin or future product candidates, if any.

Our commercial success will depend on our ability to obtain patents and maintain adequate protection for vosaroxin and any future product candidates in the United States and other countries. We own, co-own or have rights to a significant number of issued U.S. and foreign patents and pending U.S. and foreign patent applications. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies and future products are covered by valid and enforceable patents or are effectively maintained as trade secrets.

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 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 validity and enforceability of patents 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 or our licensors' pending patent applications will result in issued patents;
- any of our, our licensors' or our collaboration partners' patents will be valid or enforceable;
- 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
- the patents of others will have an adverse effect on our business.

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. 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, 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 secrets against them and our business could be harmed.

The composition of matter patents covering vosaroxin are due to expire in 2015. Even if vosaroxin is approved by the FDA and foreign equivalents thereof, we may not be able to recover our development costs prior to the expiration of these patents.

The vosaroxin composition of matter is covered by U.S. patent 5,817,669 and its counterpart patents in 43 foreign jurisdictions. U.S. patent 5,817,669 is due to expire in October 2015, and most of its foreign counterparts are due to expire in June 2015. In July 2010, we announced that the European Patent Office, or EPO, had granted us a patent covering combinations of vosaroxin with cytarabine. The patent was validated and provides coverage for such combination products in 30 member states of the European Patent Convention and is due to expire in 2025. In November 2010, we announced that the U.S. Patent and Trademark Office had granted us a patent covering certain pharmaceutical compositions of vosaroxin, and in March 2011, we announced that the EPO had granted us a similar patent, which we are proceeding to validate in multiple EPO member states. These patents cover the formulation used in our VALOR trial and are due to expire in 2025. We do not know whether patent term extensions and data exclusivity periods will be available in the future. Vosaroxin must undergo extensive clinical trials before it can be approved by the FDA. We do not know when, if ever, vosaroxin will be approved by the FDA. Even if vosaroxin is approved by the FDA in the future, we may not have sufficient time to commercialize our vosaroxin product to enable us to recover our development costs prior to the expiration of the U.S. and foreign patents covering vosaroxin. Our obligation to pay royalties to Dainippon, the company from which we licensed vosaroxin, may extend beyond the patent expiration, which would further erode the profitability of this product.

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 vosaroxin, 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 currently have limited marketing staff and no sales or distribution organization. If we are unable to develop a sales and marketing and distribution capability on our own or through collaborations with marketing partners, we will not be successful in commercializing vosaroxin.

We currently have no sales or distribution capabilities and limited marketing staff. We intend to establish our own sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize vosaroxin in North America, which will be expensive and time consuming. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of these products. We plan to collaborate with third parties that have direct sales forces and established distribution systems to commercialize vosaroxin. To the extent that we enter into co-promotion or other licensing arrangements, our product revenue is likely to be lower than if we marketed or sold vosaroxin directly. In addition, any revenue we receive will depend upon the efforts of third parties, which may not be successful and are only partially within our control. If we are unable to enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize vosaroxin. If we are not successful in commercializing vosaroxin or our future product candidates, if any, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

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, accounting 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 arise between our current or future 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 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 Idec or potential future collaboration partners, if any, are conducting or may conduct product development efforts within the disease area that is the subject of collaboration with our company. In current or potential future 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 collaborations. Our 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 collaborations. Competing products, either developed by our collaboration partners or to which our collaboration partners have rights, may result in their withdrawal of support for a product candidate covered by the collaboration agreement.

If one or more of our current or potential future collaboration partners, if any, were to breach or terminate their 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 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 collaboration agreements with our company.

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.

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

Some of our costs and expenses are denominated in foreign currencies. Most of our foreign expenses are associated with activities related to the VALOR trial that are occurring outside of the United States, and in particular in Western Europe. 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 may 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 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. If any disaster were to occur, 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 vosaroxin.

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 collaboration partners are permitted to market our product

candidates in the United States until we receive approval of an NDA from the FDA, or in any other country without the equivalent marketing approval from such country. We have not received marketing approval for vosaroxin in any jurisdiction. None of our collaboration partners have had a product resulting from our collaboration enter clinical trials. In addition, failure to comply with FDA 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 NDAs, supplements to approved NDAs or their foreign equivalents.

Regulatory approval of an NDA or NDA supplement or a foreign equivalent 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. In particular, although we believe that our discussions with the FDA support the potential approval of vosaroxin for the treatment of AML based on positive results from the VALOR trial without the need to conduct additional clinical trials, the FDA has substantial discretion in the approval process and may not grant approval based on data from this trial.

The FDA or a 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 or foreign regulatory authority might not approve our or our third-party manufacturers' processes or facilities; or
- the FDA or 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 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 for up to $10.0 million in aggregate, 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 vosaroxin, the market may not be receptive to vosaroxin.

Even if vosaroxin 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:

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

For example, the potential toxicity of single and repeated doses of vosaroxin has been explored in a number of animal studies that suggest the dose-limiting toxicities in humans receiving vosaroxin may be similar to some of those observed with approved cytotoxic agents, including reversible toxicity to bone marrow cells, the gastrointestinal system and other systems with rapidly dividing cells. In our Phase 1 and Phase 2 clinical trials of vosaroxin, we have witnessed the following side effects, irrespective of causality, ranging from mild to more severe: lowered white blood cell count that may lead to a serious or possibly life-threatening infection, hair loss, mouth sores, fatigue, nausea with or without vomiting, lowered platelet count, which may lead to an increase in bruising or bleeding, lowered red blood cell count (anemia), weakness, tiredness, shortness of breath, diarrhea and intestinal blockage.

If vosaroxin fails 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 vosaroxin, we will be subject to ongoing FDA and other regulatory obligations and continued regulatory review, which may result in significant additional expense and limit our ability to commercialize vosaroxin.

Any regulatory approvals that we or our potential future collaboration partners receive for vosaroxin 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 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.

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 the United States or abroad. 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.

The coverage and reimbursement status of newly approved drugs is uncertain, and failure to obtain adequate coverage and reimbursement could limit our ability to market vosaroxin 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 vosaroxin and 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, legislative or regulatory efforts to control or reduce healthcare costs or reform government healthcare programs could result in lower prices or rejection of our future products. Changes in coverage and reimbursement policies or healthcare cost containment initiatives that limit or restrict reimbursement for our future products may reduce any future product revenue.

Failure to obtain regulatory approval in foreign jurisdictions will prevent us from marketing vosaroxin abroad.

We intend to market vosaroxin in international markets. In order to market vosaroxin in the European Union, Canada and many other foreign jurisdictions, we must obtain separate regulatory approvals. We have had limited interactions with foreign regulatory authorities, and the approval procedures vary among countries and can involve additional testing at significant cost. The time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. The foreign regulatory approval processes may include all of the risks associated with obtaining FDA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize vosaroxin or any other future products in any market.

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

We intend to seek approval to market vosaroxin in both the United States and foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions, we will be subject to rules and regulations in those jurisdictions relating to vosaroxin. 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 may be required to conduct a clinical trial that compares the cost-effectiveness of vosaroxin to other available therapies. If reimbursement of vosaroxin 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 2010, our common stock traded as low as $1.75 and as high as $9.72. Factors that could cause continued volatility in the market price of our common stock include, but are not limited to:

- our ability to raise additional capital to carry through with our clinical development plans and current and future operations and the terms of any related financing arrangement;
- results from, and any delays in or discontinuance of, ongoing and planned clinical trials for vosaroxin;
- an expansion of the number of patients included in the VALOR trial based on the pre-specified interim analysis by the DSMB;
- announcements of FDA non-approval of vosaroxin, delays in filing regulatory documents with the FDA or other regulatory agencies, or delays in the review process by the FDA or other foreign regulatory agencies;
- announcements relating to restructuring and other operational changes;
- delays in the commercialization of vosaroxin or our future products, if any;
- market conditions in the pharmaceutical, biopharmaceutical and biotechnology sectors;
- issuance of new or changed securities analysts' reports or recommendations;
- developments or disputes concerning our intellectual property or other proprietary rights;
- clinical and regulatory developments with respect to potential competitive products;
- introduction of new products by our competitors;
- issues in manufacturing vosaroxin drug substance or drug product, or future products, if any;
- market acceptance of vosaroxin or our future products, if any;
- announcements relating to our collaboration with Biogen Idec;
- actual and anticipated fluctuations in our quarterly operating results;
- deviations in our operating results from the estimates of analysts;
- third-party healthcare reimbursement policies;
- FDA or other U.S. or foreign regulatory actions affecting us or our industry;

- litigation or public concern about the safety of vosaroxin or future products, if any;
- failure to develop or sustain an active and liquid trading market for our common stock;
- sales of our common stock by our officers, directors or significant stockholders; and
- additions or departures of key personnel.

If we fail to maintain compliance with the continued listing requirements of The NASDAQ Capital Market, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.

Our common stock currently trades on The NASDAQ Capital Market under the symbol "SNSS." This market has continued listing standards that we must comply with in order to maintain the listing of our common stock. The continued listing standards include, among others, a minimum bid price requirement of $1.00 per share and any of: (i) a minimum stockholders' equity of $2.5 million; (ii) a market value of listed securities of at least $35.0 million; or (iii) net income from continuing operations of $500,000 in the most recently completed fiscal year or in the two of the last three fiscal years. Our results of operations and fluctuating stock price directly impact our ability to satisfy these continued listing standards. In the event we are unable to maintain these continued listing standards, our common stock may be subject to delisting from The NASDAQ Capital Market.

From March 31, 2010 until the close of trading on March 1, 2011, we were not in compliance with the minimum bid price requirement of $1.00 per share pursuant to NASDAQ Listing Rule 5550(a)(2). On February 14, 2011, we effected a one-for-six reverse split of our capital stock, or the Reverse Split, as previously authorized and approved at our annual meeting of stockholders on June 2, 2010. As a result of the Reverse Split, every six shares of our capital stock were combined into one share of capital stock. On February 15, 2011, our common stock began trading on The NASDAQ Capital Market on a post-Reverse Split basis, following which the bid price of our common stock closed at or above $1.00 for the 10 consecutive business days ended March 1, 2011. As a result, on March 2, 2011, we received a letter from NASDAQ indicating that we had regained compliance with the rule as the closing bid price of our common stock had been at $1.00 per share or greater for 10 consecutive trading days. As a result, we are currently in full compliance with the NASDAQ continued listing requirements.

As mentioned above, the price of our common stock can be volatile, and there can be no assurance that we will continue to meet the minimum $1.00 bid price requirement or the other NASDAQ continued listing requirements in the future, and we may be subject to delisting as a result. If we are delisted, we would expect our common stock to be traded in the over-the-counter market, which could adversely affect the liquidity of our common stock. Additionally, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our common stock;
- a reduced amount of analyst coverage for us;
- a decreased ability to issue additional securities or obtain additional financing in the future;
- reduced liquidity for our stockholders;
- potential loss of confidence by collaboration partners and employees; and
- loss of institutional investor interest.

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.

The ownership of our capital stock is highly concentrated, and your interests may conflict with the interests of our existing stockholders.

Our executive officers and directors and their affiliates beneficially owned approximately 34.7% of our outstanding capital stock as of December 31, 2010, assuming the exercise in full of the outstanding warrants to purchase common stock held by these stockholders as of such date. Accordingly, these stockholders, acting as a group, could have significant influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

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. 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*

In December 2006, we leased 15,000 square feet of office space in a building at 395 Oyster Point Boulevard in South San Francisco, California, which is currently our corporate headquarters. This lease expires in April 2013, subject to our option to extend the lease through February 2014. In October 2008, we leased 5,500 square feet of laboratory space at 349 Allerton Avenue, South San Francisco, California. This lease expired in October 2010 and we did not exercise our option to extend the lease. We believe that our current facility will be sufficient to meet our needs through at least 2011.

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. *(REMOVED AND RESERVED)*

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 Capital Market under the symbol "SNSS." From our initial public offering on September 27, 2005 until August 3, 2009 our common stock was listed on The NASDAQ Global Market under the same symbol. The following table sets forth the range of the high and low sales prices by quarter, as reported by NASDAQ, after giving retroactive effect to the one-for-six reverse split of shares of our capital stock, or the Reverse Split, outstanding immediately prior to the effective time of the Reverse Split on February 14, 2011.

Year-Ended December 31, 2009	High	Low
First Quarter	$ 3.03	$0.96
Second Quarter	$ 5.40	$0.30
Third Quarter	$ 3.36	$1.57
Fourth Quarter	$14.58	$1.62

Year-Ended December 31, 2010	High	Low
First Quarter	$ 9.72	$4.26
Second Quarter	$ 7.38	$2.64
Third Quarter	$ 3.30	$2.22
Fourth Quarter	$ 3.69	$1.75

As of February 18, 2011, there were approximately 179 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 15, 2011, the last sale price reported on The NASDAQ Capital Market for our common stock was $1.88 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.

Unregistered Sales of Equity Securities

In March 2009, we entered into a securities purchase agreement with accredited investors, including certain members of management, providing for the private placement of up to $15.0 million of units consisting of Series A convertible preferred stock and warrants to purchase common stock, and up to $28.5 million in common stock, in three closings, or the Private Placement. On April 3, 2009, we sold $10.0 million of units consisting of shares of our Series A convertible preferred stock and warrants to purchase our common stock in the initial closing of the Private Placement. On October 30, 2009, we sold $5.0 million of units in the second closing. On June 30, 2010, we sold $28.5 million of common stock in the third and final closing of the Private Placement. Aggregate net proceeds from the Private Placement were $40.1 million. The sales were to accredited investors, including certain members of management, and were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Rule 506 of Regulation D promulgated thereunder.

In connection with the initial closing, we issued 483,081 shares of Series A convertible preferred stock to the investors, which were initially convertible into 4,830,901 shares of common stock, and warrants to purchase 4,830,901 shares of common stock. In connection with the second closing, we issued 241,537 shares of Series A convertible preferred stock to the investors, which were initially convertible into 2,415,438 shares of common

stock, and warrants to purchase 2,415,438 shares of common stock. The warrants to purchase common stock may be exercised at the election of the holder at any time during their term of seven years from the date of issuance. During the year ended December 31, 2010, a total of 1,764,322 shares of common stock were issued upon the exercise of warrants issued in the Private Placement. As of March 15, 2011, 4,592,123 shares of common stock remained available for issuance upon the exercise of warrants issued in the Private Placement.

In connection with the third and final closing of the Private Placement, we issued 17,272,716 shares of common stock to the investors at a purchase price of $1.65 per share. In conjunction with this closing, each of the outstanding shares of Series A convertible preferred stock issued in the initial and second closings of the Private Placement was converted into 10 shares of common stock, and as a result, an additional 7,246,339 shares of common stock were issued on June 30, 2010.

We have used, and expect to use, the aggregate net proceeds of $40.1 million for working capital and other general corporate purposes.

ITEM 6. *SELECTED FINANCIAL DATA*

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those statements included elsewhere in this report.

	Year Ended December 31,				
Consolidated Statement of Operations:	**2010**	**2009**	**2008**	**2007**	**2006**
	(In thousands, except shares and per share amounts)				
Revenue:					
Collaboration revenue	$ 27	$ 1,550	$ 4,917	$ 9,163	$ 13,671
License and other revenue	6	2,212	500	500	38
Total revenues	33	3,762	5,417	9,663	13,709
Operating expenses:					
Research and development	14,434	13,247	26,285	36,060	35,615
General and administrative	7,005	7,748	11,524	13,570	12,255
Restructuring charges	—	1,916	5,783	1,563	—
Total operating expenses	21,439	22,911	43,592	51,193	47,870
Loss from operations	(21,406)	(19,149)	(38,175)	(41,530)	(34,161)
Other income (expense), net(1)	(3,181)	(21,077)	989	2,769	2,924
Net loss	(24,587)	(40,226)	(37,186)	(38,761)	(31,237)
Deemed distribution to preferred stockholders(2)	—	(27,563)	—	—	—
Loss attributable to common stockholders	$ (24,587)	$ (67,789)	$ (37,186)	$ (38,761)	$ (31,237)
Basic and diluted loss attributable to common stockholders per common share	$ (0.99)	$ (11.80)	$ (6.49)	$ (7.19)	$ (6.75)
Shares used in computing basic and diluted loss attributable to common stockholders per common share	24,860,212	5,746,786	5,731,196	5,390,034	4,626,391

(1) In December 2010, we recorded a non-cash charge of $3.7 million to revalue the liability for warrants issued in connection with the underwritten offering in October 2010 (see Note 9 of the accompanying consolidated financial statements).

During 2009, we recorded non-cash charges of $21.0 million related to the accounting for the fair values of securities issued as part of the Private Placement (see Note 9 of the accompanying consolidated financial statements). The non-cash charges consisted of $7.5 million recorded upon the initial closing of $10.0 million of units in April 2009 and $13.5 million upon the revaluation in June 2009 of the options to participate in the second closing of $5.0 million of units and the third closing of up to $28.5 million of common stock, which occurred in October 2009 and June 2010, respectively.

(2) During 2009, we recorded deemed distributions to preferred stockholders totaling $27.6 million, related to the accounting for the Private Placement. Of this amount, $26.4 million was due to the revaluation of certain securities upon an amendment of the Private Placement agreements in June 2009, and $1.2 million was due to the write-off of a discount for a beneficial conversion feature on the convertible preferred stock issued as part of the second closing of the Private Placement in October 2009.

	As of December 31,				
Consolidated Balance Sheet Data:	**2010**	**2009**	**2008**	**2007**	**2006**
			(In thousands)		
Cash, cash equivalents and marketable securities	$ 53,396	$ 4,259	$ 10,619	$ 47,684	$ 63,105
Working capital	42,118	1,807	5,371	39,707	55,279
Total assets	54,858	5,169	12,784	53,246	69,276
Long-term portion of equipment leases	—	—	—	1,353	956
Convertible preferred stock	—	60,005	—	—	—
Common stock and additional paid-in capital	423,267	298,473	322,675	320,583	298,077
Accumulated deficit	(381,005)	(356,418)	(316,192)	(279,006)	(240,245)
Total stockholders' equity	42,247	2,060	6,491	41,394	56,804

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, 2010 and results of operations for the year ended December 31, 2010 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, and Section 21E of the Securities Exchange Act of 1934, as amended, that 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 strategy, including our plans with respect to 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, 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

We are a biopharmaceutical company focused on the development and commercialization of new oncology therapeutics for the treatment of hematologic and solid tumor cancers. Our efforts are currently focused primarily on the development of vosaroxin (formerly voreloxin) for the treatment of acute myeloid leukemia, or AML. We have built a highly experienced cancer drug development organization committed to advancing our lead product candidate, vosaroxin, in multiple indications to improve the lives of people with cancer.

Vosaroxin is a first-in-class anti-cancer quinolone derivative, or AQD—a class of compounds that has not been used previously for the treatment of cancer. Quinolone derivatives have been shown to mediate anti-tumor activity by targeting mammalian topoisomerase II, an enzyme critical for cell replication. We own worldwide development and commercialization rights to vosaroxin.

In December 2010, we commenced enrollment of a Phase 3, multi-national, randomized, double-blind, placebo-controlled, pivotal trial of vosaroxin in combination with cytarabine in patients with relapsed or refractory AML, or the VALOR trial. The VALOR trial is designed to evaluate the effect of vosaroxin in combination with cytarabine, a widely used chemotherapy in AML, on overall survival as compared to placebo in combination with cytarabine. The trial design is based on data from our Phase 2 clinical trial of vosaroxin in combination with cytarabine in first relapsed or primary refractory AML, together with guidance received from both U.S. and European regulatory agencies.

With an anticipated 450 evaluable patients, the trial is designed to have a 90% probability of detecting a 40% difference in overall survival. The trial includes a single pre-specified interim analysis by the independent Data Safety Monitoring Board, or DSMB, that may recommend a one-time sample size adjustment of 225 additional evaluable patients if deemed beneficial by the DSMB to maintain adequate power across a range of

clinically meaningful and statistically significant survival outcomes. In February 2011, the FDA granted fast track designation to vosaroxin for the potential treatment of relapsed or refractory AML in combination with cytarabine.

We are also in the survival follow-up stage of two fully-enrolled clinical trials of vosaroxin: (a) the Phase 2 portion of a Phase 1b/2 trial of vosaroxin in combination with cytarabine for the treatment of patients with first relapsed or primary refractory AML, and (b) a Phase 2 trial (known as REVEAL-1) in previously untreated elderly patients with AML, which explored three different dose schedules. In addition, we completed a Phase 2 single agent trial of vosaroxin in platinum-resistant ovarian cancer patients in 2010, which explored three different dose cohorts. The most recent data from the AML studies were presented at the Chemotherapy Foundation Symposium XXVIII in November 2010, and the most recent data from the ovarian cancer study were presented at the American Society of Clinical Oncology 2010 Annual Meeting in June 2010.

In 2009, the U.S. Food and Drug Administration, or FDA, granted orphan drug designation to vosaroxin for the treatment of AML. In July 2010, we announced that the European Patent Office, or EPO, had granted us a patent covering combinations of vosaroxin with cytarabine. The patent provides coverage to 2025 for such combination products in 30 member states of the European Patent Convention. In November 2010, we announced that the U.S. Patent and Trademark Office had granted us a patent covering pharmaceutical compositions of vosaroxin, and in March 2011, we announced that the EPO had granted us a similar patent, which we are proceeding to validate in multiple EPO member states. These patents cover the formulation used in our VALOR trial and extend vosaroxin's patent life to 2025. Related patent applications are pending in other major markets throughout the world, including Japan, Australia and Canada.

Recent Financial History

In March 2009, we entered into a securities purchase agreement with accredited investors, including certain members of management, providing for the private placement of up to $15.0 million of units consisting of Series A convertible preferred stock and warrants to purchase common stock, and up to $28.5 million in common stock, in three closings, or the Private Placement. We completed the initial closing of $10.0 million in April 2009, resulting in net proceeds of $8.8 million, and the second closing of $5.0 million in October 2009, for net proceeds of $4.7 million. In June 2010, we completed the third and final closing of the Private Placement, issuing 17.3 million shares of common stock to the investors at a purchase price of $1.65 per share, for net proceeds of $26.7 million. In conjunction with this closing, each of the 0.7 million outstanding shares of Series A convertible preferred stock issued in the initial and second closings of the Private Placement was converted into 10 shares of common stock, and as a result, 7.2 million shares of common stock were issued in June 2010.

In January 2010, we entered into our first controlled equity offering sales agreement with Cantor Fitzgerald & Co., or Cantor, pursuant to which we could issue and sell shares of our common stock having an aggregate offering price of up to $15.0 million from time to time through Cantor acting as agent and/or principal, subject to certain conditions. Under this facility, we sold an aggregate of 2.6 million shares of common stock in 2010 at an average price of $5.67 per share for gross proceeds of $15.0 million. Net proceeds were $14.2 million after deducting Cantor's commission and costs to set up the facility. No further shares of common stock can be issued under this facility.

In April 2010, we entered into a second controlled equity offering sales agreement with Cantor, pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to $20.0 million from time to time through Cantor acting as agent and/or principal. As of March 15, 2011, we had sold an aggregate of 3.7 million shares of common stock at an average price of $4.32 per share for gross proceeds of $16.0 million. Net proceeds were $15.4 million after deducting Cantor's commission and costs to set up the facility. As of March 15, 2011, $4.0 million of common stock was available to be sold under this facility, subject to certain conditions as specified in the agreement.

In October 2010, we completed an underwritten offering, pursuant to which we issued an aggregate of 7.4 million shares of our common stock and warrants to purchase 3.7 million shares of our common stock, for aggregate gross proceeds of $15.5 million, or the 2010 Offering. Net proceeds from the sale were $14.2 million, after deducting the underwriting discount and offering expenses. The warrants are exercisable beginning six months after issuance at an exercise price of $2.52 per share, and expire five years from the date of issuance.

On February 14, 2011, we effected a one-for-six reverse split of our capital stock, or the Reverse Split, as previously authorized and approved at our annual meeting of stockholders on June 2, 2010. As a result of the Reverse Split, every six shares of our capital stock were combined into one share of capital stock. The Reverse Split affected all our common stock outstanding immediately prior to the effective time of the Reverse Split as well as the number of shares of common stock available for issuance under our equity incentive plans. In addition, the Reverse Split effected a reduction in the number of shares of common stock issuable upon the exercise of outstanding stock options and warrants. Immediately following the Reverse Split, 45,989,737 shares of our common stock were outstanding. All share and per share amounts in this Annual Report on Form 10-K have been adjusted to give effect to the Reverse Split.

We have incurred significant losses in each year since our inception. As of December 31, 2010, we had cash, cash equivalents and marketable securities of $53.4 million and an accumulated deficit of $381.0 million. We expect to continue to incur significant losses for the foreseeable future, as we continue the development of, and seek regulatory approvals for vosaroxin.

On March 31, 2010, we received a letter from the NASDAQ Listing Qualifications Staff, or the Staff, notifying us that we did not comply with the minimum $1.00 per share closing bid price requirement, or the Bid Price Requirement, for a continued listing on The NASDAQ Capital Market. In accordance with NASDAQ Listing Rules, we were given until September 27, 2010 to regain compliance. On September 28, 2010, we received a second letter from the Staff notifying us of its determination that we had failed to regain compliance with the Bid Price Requirement by September 27, 2010, but that we met all other initial inclusion criteria for The NASDAQ Capital Market set forth in NASDAQ Listing Rule 5505. As a result, in accordance with NASDAQ Listing Rules, we were granted an additional 180 calendar days, or until March 28, 2011, to regain compliance. To regain compliance, the bid price of our common stock needed to close at or above $1.00 for at least 10 consecutive business days at any time prior to March 28, 2011. Our common stock began trading on The NASDAQ Capital Market on a post-Reverse Split basis on February 15, 2011. Subsequently, the bid price of our common stock closed at or above $1.00 for the 10 consecutive business days ended March 1, 2011, and on March 2, 2011, we received a letter from NASDAQ notifying us that we had regained compliance with the Bid Price Requirement.

Capital Requirements

While we believe that we currently have the resources available and accessible to fund our operations until the planned unblinding of the VALOR trial in 2013, we will need to raise substantial additional capital to complete development and the potential commercialization of vosaroxin. To the extent that the costs of the VALOR trial exceed our current estimates, unblinding does not occur within the currently anticipated timeframe or we are unable to raise sufficient additional capital through our controlled equity offering facility or otherwise, we will need to reduce operating expenses, enter into a collaboration or other similar arrangement with respect to development and/or commercialization rights to vosaroxin, outlicense intellectual property rights to vosaroxin, sell assets, or a combination of the above. We will also need to raise substantial additional capital if we expand the number of patients included in the trial based on the pre-specified interim analysis of data from the trial by the DSMB. In addition, we will need to raise substantial additional capital to complete the development and potential commercialization of vosaroxin.

We expect to finance our future cash needs primarily through equity issuances, debt arrangements, a possible license, collaboration or other similar arrangement with respect to development and/or

commercialization rights to vosaroxin, or a combination of the above. However, 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 vosaroxin development program, potentially including the VALOR trial, and/or limit or cease our operations.

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 1 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.

Accounting for Equity Financings

The accounting for the initial and second closing of the sale of $10.0 million and $5.0 million of units, respectively, under our Private Placement, and subsequent revaluations of the related financial instruments, required fair values to be established at different dates, either individually or in aggregate, for the four primary components of the Private Placement: (a) the Series A convertible preferred stock, (b) the warrants to purchase common stock, (c) the option for the investors to participate in the second closing, or the Second Closing Option, and (d) the option for the investors to participate in the common equity closing, or the Common Equity Closing Option. The Option-Pricing Method, which utilizes the Black-Scholes model, was selected to determine these fair values, which were calculated as a series of call options on the potential enterprise value of the company at different valuation points at which the claims of the different stakeholder groups on the enterprise value would change. The results of the Black-Scholes model were affected by the company’s stock price, as well as assumptions regarding a number of highly subjective variables. These variables included the expected term of the financial instruments and our expected stock price volatility, risk-free interest rate and dividend rate over the expected term. Alternative models could have been selected to calculate these fair values, which may have produced significantly different results.

In October 2010, we completed the 2010 Offering, in which we sold our common stock and warrants to purchase our common stock for aggregate gross proceeds of $15.5 million. Due to the potential for the warrants to be settled in cash upon the occurrence of certain transactions specified in the warrant agreements, the warrants are being accounted for as a derivative liability as opposed to permanent equity. Outstanding warrants under this arrangement are revalued to their fair value each period end, with the change in fair value recorded to other income (expense) in the statement of operations. The Black-Scholes model was selected as the most appropriate method to estimate both the initial and subsequent fair values of the warrants. The determination of initial and subsequent fair values is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables, as noted above. Changes in these input variables have, and will continue to, affect the income or expense recorded each period for the revaluation of outstanding warrants. As a result, fluctuations in our stock price or other input variables may significantly affect our financial results.

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*, or 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 and whether there is objective and reliable evidence of the fair value of the undelivered items. 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, nonrefundable fees are deferred and recognized ratably over the projected performance period.

Research funding from collaborations is recognized as revenue as the related research services are performed. This funding is generally based on a specified amount per full-time equivalent employee per year.

Milestone payments which are substantive and at risk at the time of the execution of the collaboration agreement, are recognized upon completion of the applicable milestone event. Any future royalty revenue will be recognized based on reported product sales by third-party licensees.

Clinical Trial Accounting

We record accruals for estimated clinical trial costs, which include payments for work performed by contract research organizations, or CROs, and participating clinical trial sites. These costs are generally a significant component of research and development expenses. Costs incurred for setting up clinical trial sites for participation in trials are generally non-refundable, and are expensed immediately, 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 material to date.

Overview of Revenues

We have not generated any revenue from sales of commercial products and do not expect to generate any product revenue in the foreseeable future.

Collaboration Revenue

Over the past three years, we have generated revenue primarily through collaborations with Biogen Idec, J&JPRD and Merck, consisting principally of research funding and milestones paid by our collaborators, substantially offsetting our related research and development expenses. Our collaborations with J&JPRD and Merck terminated in January 2010 and June 2010, respectively.

Under our collaboration agreement with Biogen Idec, we may in the future receive pre-commercialization milestone payments of up to $60.5 million per target, as well as royalty payments depending on product sales. Potential total royalty payments may be increased if we exercise our option to co-develop and co-promote product candidates for up to two targets worldwide (excluding Japan) and may be reduced if Biogen Idec is required to in-license additional intellectual property related to certain technology jointly developed under the collaboration agreement in order to commercialize a collaboration product.

In November 2010, Biogen Idec announced that it will seek to spin out or outlicense certain oncology assets, including this collaboration agreement. We cannot predict the outcome of this strategic decision by Biogen Idec or its impact on future development activity under the collaboration agreement or on our prospects for the receipt of milestone or royalty payments under the collaboration agreement. We expect that a Phase 1 clinical trial will be initiated in 2011 for the Raf kinase inhibitor program.

License and other revenue

In March 2009, SARcode acquired our interest in all of its LFA-1 patents and related know-how for a total cash consideration of $2.0 million, which was recorded as revenue in April 2009. In connection with the sale, the license agreement was terminated and we will not receive any future license fees, milestones or royalties under that license. We still hold three secured convertible promissory notes issued under the original license agreement, with a total principal value of $1.0 million, which are due in 2012 and are convertible into the preferred stock of SARcode at our option. We have yet to record the amount represented by these notes as revenue, due to uncertainty of their collectibility.

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 vosaroxin;
- in the discovery and development of novel small molecule therapeutics;
- in the development of novel fragment-based drug discovery methods;
- 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.

We expense all research and development costs as they are incurred.

We do not anticipate incurring any significant additional research expenses related to the discovery of additional product candidates, the development or application of our proprietary fragment-based drug discovery methods, or the development of in-house research capabilities. In addition, we are no longer conducting any research activities in connection with our collaborations.

In December 2010, we commenced enrollment of the VALOR trial. Payments to sites for start-up costs and patient treatment are expected to increase in 2011 as sites are activated to enroll patients. Similarly, costs incurred by our contract research organization and other third party contractors, including the contract manufacturers of the vosaroxin API and FDP, in the execution of the trial are expected to increase in 2011. As a result, we expect research and development expense to be significantly higher in 2011 as compared to 2010.

We are currently developing vosaroxin in AML. Based on results of translational research, clinical results, regulatory and competitive concerns and our overall financial resources, we anticipate that we will make determinations as to which indications to pursue and patient populations to treat in the future, and how much funding to direct to each indication on an ongoing basis. This will affect our research and development expense going forward.

If we engage a development or commercialization partner for our vosaroxin program, 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.

As of December 31, 2010, we had incurred $78.1 million of expenses in the development of vosaroxin since it was licensed from Dainippon Sumitomo Pharma Co., Ltd., or Dainippon, in October 2003. We expect to continue to incur significant expenses related to the development of vosaroxin in 2011 and future years. Due to the above uncertainties and other risks inherent in the development process, we are unable to estimate the significant costs we will incur in the vosaroxin development program.

Under our collaboration agreement with Biogen Idec, we have the right to participate in the co-development and co-promotion of product candidates for up to two targets including, at our option, the Raf kinase target, on a worldwide basis (excluding Japan). If we were to exercise our option on one or more product candidates, our research and development expense would increase significantly. In November 2010, Biogen Idec announced that it will seek to spin out or outlicense certain oncology assets, including this collaboration agreement. We cannot predict the outcome of this strategic decision by Biogen Idec or its impact on future development activity under the collaboration agreement. We expect that a Phase 1 clinical trial will be initiated in 2011 for the Raf kinase inhibitor program.

General and administrative expense. Our general and administrative expense consists primarily of salaries and other related costs for personnel in finance, legal, marketing, information technology, administration and general management, as well as non-cash stock-based compensation. Other significant costs include fees paid to professional services providers and those related to facilities. In 2011, we expect general and administrative expense to be generally comparable to 2010.

Results of Operations

Years Ended December 31, 2010 and 2009

Revenue. Total revenue decreased to $33,000 in 2010 from $3.8 million in 2009. Collaboration revenue of $1.6 million in 2009 was primarily comprised of a $1.5 million milestone earned from Biogen Idec's selection of a Raf kinase inhibitor development candidate for the treatment of cancer. License and other revenue of $2.2 million in 2009 was primarily comprised of $2.0 million from the sale to SARcode Corporation of our interest in all patents and related know-how that had previously been the subject of a license agreement with them.

Research and development expense. Research and development expense increased to $14.4 million in 2010 from $13.2 million in 2009, with substantially all of the expense in each period relating to the vosaroxin development program. The increase in 2010 was primarily due to an increase in clinical expenses, primarily related to the launch of the VALOR trial, of $1.0 million and the accrual of a $0.5 million milestone payment due to Dainippon as a result of the initiation of the VALOR trial in December 2010, which we partially offset by a reduction in facility costs of $0.3 million.

General and administrative expense. General and administrative expense decreased to $7.0 million in 2010 from $7.7 million in 2009. The decrease in 2010 was primarily due to a restructuring plan initiated in March 2009, or the 2009 Restructuring, which resulted in a reduction of $0.8 million in headcount-related expenses, including $0.5 million related to non-cash stock compensation expense.

Restructuring charges. There were no restructuring charges in 2010. Restructuring charges were $1.9 million in 2009, which included $1.3 million for lease termination activities related to a corporate realignment initiated in June 2008, or the 2008 Restructuring, and $0.6 million for employee severance and related benefit costs related to the 2009 Restructuring.

Other income (expense), net. Other expense, net was $3.2 million in 2010 as compared to $21.1 million in 2009. The net expense in 2010 was primarily due to a non-cash charge of $3.7 million for the revaluation of warrants issued in the 2010 Offering to their fair value as of December 31, 2010, partially offset by the receipt of a tax credit of $0.2 million under the IRS Qualifying Therapeutic Discovery Project program. The net expense in 2009 was primarily due to non-cash charges of $21.0 million related to the accounting for the Private Placement, which consisted of $7.5 million recorded upon the initial closing in April 2009 and $13.5 million upon the revaluation in June 2009 of the Second Closing Option and Common Equity Closing Option.

Years Ended December 31, 2009 and 2008

Revenue. Total revenue decreased to $3.8 million in 2009 from $5.4 million in 2008. Collaboration revenue decreased to $1.6 million in 2009 from $4.9 million in 2008, primarily due to the completion of research funding and technology access fee amortization under the Biogen Idec collaboration in June 2008, partially offset by an increase in milestone revenue in 2009 as a result of a $1.5 million milestone from Biogen Idec, as described above. License and other revenue increased to $2.2 million in 2009 from $0.5 million in 2008, primarily due to the sale to SARcode of certain intellectual property, as described above.

Research and development expense. Research and development expense decreased to $13.2 million in 2009 from $26.3 million in 2008. The decrease was primarily due to the 2008 Restructuring, which resulted in decreases in headcount-related expenses of $4.2 million, allocated facility costs of $3.3 million, clinical expenses of $2.6 million and professional service costs of $1.8 million.

General and administrative expense. General and administrative expense decreased to $7.7 million in 2009 from $11.5 million in 2008. The decrease was primarily due to the 2008 Restructuring and the 2009 Restructuring, which together resulted in decreases in headcount-related expenses of $2.1 million, facility costs of $0.9 million and a reduction in professional service costs of $0.5 million.

Restructuring charges. Restructuring charges were $1.9 million in 2009 as compared to $5.8 million in 2008. The charges for 2009 are described above. The 2008 charges were primarily comprised of $5.9 million related to the 2008 Restructuring, which consisted of $3.6 million for employee severance and related benefit costs, including non-cash stock-based compensation of $0.4 million, and $2.3 million related to asset impairment and facility exit costs.

Other income (expense), net. Other expense, net was $21.1 million in 2009 as compared to other income, net of $1.0 million in 2008. The net expense in 2009 was primarily due to non-cash charges of $21.0 million related to the accounting for the Private Placement, as described above. The net income in 2008 primarily related to interest income.

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 as other expense.

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, 2010, we had net operating loss carry-forwards for federal and state income tax purposes of $253.6 million and $155.6 million, respectively. We also had federal and state research and development tax credit carry-forwards of $5.8 million and $5.6 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 will begin to expire in 2012. 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, or 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

Since our inception, we have funded our operations primarily through the issuance of common and preferred stock, the receipt of funds from our collaboration partners, and from debt financings.

Our cash, cash equivalents and marketable securities totaled $53.4 million as of December 31, 2010, compared to $4.3 million as of December 31, 2009. The increase of $49.1 million was primarily due to net proceeds of $27.5 million from sales of our common stock through Cantor, $26.7 million from the third closing of the Private Placement, and $14.2 million from the 2010 Offering, partially offset by $19.4 million of net cash used in operating activities.

In January 2010, we entered into our first controlled equity offering sales agreement with Cantor, under which we sold an aggregate of 2.6 million shares of common stock at an average price of $5.67 per share for gross proceeds of $15.0 million. Net proceeds were $14.2 million after deducting Cantor's commission and costs to set up the facility.

In April 2010, we entered into a second controlled equity offering sales agreement with Cantor, pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to $20.0 million from time to time through Cantor acting as agent and/or principal, subject to certain conditions. Cantor is entitled to a 3% commission rate of the gross sales price per share of any common stock sold through Cantor as agent under the sales agreement. As of December 31, 2010, we had sold an aggregate of 3.1 million shares of common stock at an average price of $4.60 per share for gross proceeds of $14.2 million. Net proceeds were $13.7 million after deducting Cantor's commission and costs to set up the facility, of which $0.4 million was received upon settlement in January 2011. As of December 31, 2010, $5.8 million of common stock was available to be sold under this facility, subject to certain conditions as specified in the agreement.

In June 2010, we completed the third and final closing of the Private Placement, issuing 17.3 million shares of common stock to the investors at a purchase price of $1.65 per share, for gross proceeds of $28.5 million and net proceeds of $26.7 million.

In October 2010, we completed the 2010 Offering, pursuant to which we issued an aggregate of 7.4 million shares of our common stock and warrants to purchase 3.7 million shares of our common stock, for aggregate gross proceeds of $15.5 million. Net proceeds from the sale were $14.2 million, after deducting the underwriting discount and offering expenses. The warrants are exercisable beginning six months after issuance at an exercise price of $2.52 per share, and expire five years from the date of issuance.

Cash Flows

Net cash used in operating activities was $19.4 million in 2010, compared to $20.2 million used in 2009 and $35.5 million in 2008. Net cash used in 2010 resulted primarily from the net loss of $24.6 million, partially offset by net adjustments for non-cash items of $4.5 million (including $3.7 million of charges related to the 2010 Offering). Net cash used in 2009 resulted primarily from the net loss of $40.2 million, and changes in operating assets and liabilities of $1.3 million, partially offset by net adjustments for non-cash items of $21.4 million (including $21.0 million of charges related to the Private Placement and $1.3 million of stock-based

compensation, partially offset by a $1.4 million credit for deferred rent related to the 2008 Restructuring). Net cash used in 2008 resulted primarily from the net loss of $37.2 million, and changes in operating assets and liabilities of $3.0 million (including decreases of $1.2 million in deferred revenue and $1.7 million in accrued compensation), partially offset by adjustments for non-cash items of $4.8 million (including $1.9 million of restructuring charges, $1.9 million of stock-based compensation and $1.1 million of depreciation and amortization).

Net cash used in investing activities was $39.1 million in 2010, compared to $4.7 million and $32.3 million provided by investing activities in 2009 and 2008, respectively. Net cash used in 2010 consisted primarily of net outflows from marketable securities transactions. Net cash provided in 2009 consisted primarily of net proceeds from marketable securities transactions of $4.3 million. Net cash provided in 2008 consisted primarily of net proceeds from marketable securities transactions of $31.6 million.

Net cash provided by financing activities was $68.4 million in 2010, compared to $13.4 million provided by financing activities in 2009, and $2.2 million used in financing activities in 2008. Net cash provided in the 2010 period consisted primarily of net proceeds of $26.7 million from the third closing of the Private Placement, $27.5 million from sales of common stock under the two controlled equity offering sales agreements with Cantor, and $14.2 million from the 2010 Offering. Net cash provided in 2009 consisted primarily of net proceeds from the initial and second closings of the Private Placement. Net cash used in 2008 consisted primarily of equipment loan repayments of $2.3 million.

Operating Cash Requirements

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 or similar regulatory agencies in other countries, and has been successfully commercialized, if at all. We need to raise substantial additional funding to complete the development and potential commercialization of vosaroxin. 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, including the VALOR trial in particular;
- the need for additional or expanded clinical trials (including in particular potential expansion of the number of patients included in the VALOR trial based on the pre-specified interim analysis of data from the trial by the DSMB);
- the timing and 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 and other regulatory approvals;
- the extent of our other development activities;
- 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 of supporting our collaboration with Biogen Idec, if any.

We believe that we currently have the resources available and accessible to fund our operations until the planned unblinding of the VALOR trial in 2013. To the extent that the costs of the VALOR trial exceed our current estimates, unblinding does not occur within the currently anticipated timeframe or we are unable to raise sufficient additional capital through our controlled equity offering facility or otherwise, we will need to reduce operating expenses, enter into a collaboration or other similar arrangement with respect to development and/or commercialization rights to vosaroxin, outlicense intellectual property rights to vosaroxin, sell assets, or a combination of the above.

We will need to raise substantial additional capital if we expand the number of patients included in the VALOR trial based on the pre-specified interim analysis of data from the trial by the DSMB. In addition, we will need to raise substantial additional capital to complete the development and potential commercialization of vosaroxin. We expect to finance our future cash needs primarily through equity issuances, debt arrangements, a possible license, collaboration or other similar arrangement with respect to development and/or commercialization rights to vosaroxin, or a combination of the above.

Until we can generate a sufficient amount of collaboration or product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through the above means. However, we do not know whether additional funding will be available on acceptable terms, or at all. Our failure to raise significant additional capital in the future would force us to delay or reduce the scope of our vosaroxin development program, potentially including the VALOR trial, 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

Our operating lease obligations as of December 31, 2010 relate solely to the lease of approximately 15,000 square feet of office space in a building at 395 Oyster Point Boulevard in South San Francisco, California, which is currently our corporate headquarters. The lease was entered into in December 2006, and expires in April 2013, subject to our option to extend the lease through February 2014.

Under our license agreement with Dainippon, 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. If vosaroxin is approved for a non-cancer indication, an additional milestone payment becomes payable to Dainippon.

We also have agreements with CROs, 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*

This item is not applicable to us as a smaller reporting company.

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

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Sunesis Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Sunesis Pharmaceuticals, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of Sunesis Pharmaceuticals, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunesis Pharmaceuticals, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG, LLP

Palo Alto, California
March 29, 2011

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,223,388	$ 4,258,715
Marketable securities	39,172,480	—
Prepaids and other current assets	1,285,487	583,030
Total current assets	54,681,355	4,841,745
Property and equipment, net	116,188	263,111
Deposits and other assets	59,974	64,425
Total assets	$ 54,857,517	$ 5,169,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 415,802	$ 360,300
Accrued clinical expense	1,573,580	1,129,226
Accrued compensation	1,013,240	728,744
Other accrued liabilities	1,380,409	788,559
Current portion of deferred rent	26,267	27,943
Warrant liability	8,153,712	—
Total current liabilities	12,563,010	3,034,772
Non-current portion of deferred rent	47,838	74,105
Commitments		
Stockholders' equity:		
Convertible preferred stock, $0.0001 par value; 10,000,000 shares authorized as of December 31, 2010 and 2009; zero and 724,618 shares outstanding as of December 31, 2010 and 2009, respectively; aggregate liquidation preference of $44,999,854 as of December 31, 2009	—	60,004,986
Common stock, $0.0001 par value; 400,000,000 and 100,000,000 shares authorized as of December 31, 2010 and 2009, respectively; 45,371,654 and 5,983,725 shares issued and outstanding as of December 31, 2010 and 2009, respectively	4,537	3,590
Additional paid-in capital	423,262,099	298,469,584
Accumulated other comprehensive loss	(14,726)	—
Accumulated deficit	(381,005,241)	(356,417,756)
Total stockholders' equity	42,246,669	2,060,404
Total liabilities and stockholders' equity	$ 54,857,517	$ 5,169,281

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2010	2009	2008
Revenue:			
Collaboration revenue	$ 27,083	$ 1,550,000	$ 4,917,340
License and other revenue	6,000	2,211,547	500,000
Total revenues	33,083	3,761,547	5,417,340
Operating expenses:			
Research and development	14,433,777	13,246,859	26,285,294
General and administrative	7,004,909	7,748,243	11,524,198
Restructuring charges	—	1,915,316	5,782,903
Total operating expenses	21,438,686	22,910,418	43,592,395
Loss from operations	(21,405,603)	(19,148,871)	(38,175,055)
Other income (expense), net	(3,181,882)	(21,077,175)	989,428
Net loss	(24,587,485)	(40,226,046)	(37,185,627)
Deemed distribution to preferred stockholders	—	(27,563,400)	—
Loss attributable to common stockholders	$ (24,587,485)	$ (67,789,446)	$ (37,185,627)
Basic and diluted loss attributable to common stockholders per common share	$ (0.99)	$ (11.80)	$ (6.49)
Shares used in computing basic and diluted loss attributable to common stockholders per common share	24,860,212	5,746,786	5,731,196

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Stock Compen-sation	Accum-ulated Other Compre-hensive Income (Loss)	Accum-ulated Deficit	Total Stock-holders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2007	—	$ —	5,727,442	$ 3,437	320,579,240	$(251,601)	$ 69,262	$(279,006,083)	$ 41,394,255
Issuance of common stock under employee stock purchase plan	—	—	7,467	4	66,572	—	—	—	66,576
Issuance of common stock to employees	—	—	11	—	—	—	—	—	—
Stock-based compensation expense—employees	—	—	—	—	1,686,827	—	—	—	1,686,827
Stock-based compensation expense—non-employees	—	—	—	—	828	—	—	—	828
Stock-based compensation expense—restructuring	—	—	—	—	366,637	—	—	—	366,637
Reversal of deferred stock-based compensation	—	—	—	—	(28,500)	28,500	—	—	—
Amortization deferred stock-based compensation	—	—	—	—	—	223,101	—	—	223,101
Components of comprehensive loss:									
Net loss	—	—	—	—	—	—	—	(37,185,627)	(37,185,627)
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	(61,421)	—	(61,421)
Comprehensive loss									(37,247,048)
Balance as of December 31, 2008	—	—	5,734,920	3,441	322,671,604	—	7,841	(316,191,710)	6,491,176
Issuance of $10,000,000 of units consisting of preferred stock and warrants in initial closing of Private Placement, recorded in liabilities	483,081	—	—	—	—	—	—	—	—
Reclassification of preferred stock from liabilities to equity	—	—	—	—	20,126,000	—	—	—	20,126,000
Reclassification of second closing option of Private Placement from liabilities to equity and issuance of amended preferred stock instrument, net of issuance costs of $1,245,757	—	56,146,243	—	—	(46,501,000)	—	—	—	9,645,243
Issuance of $5,000,000 of units consisting of preferred stock and warrants in second closing of Private Placement, net of issuance costs of $321,185	241,537	2,670,343	—	—	2,008,472	—	—	—	4,678,815
Write-off of discount for beneficial conversion feature on second closing of Private Placement	—	1,188,400	—	—	(1,188,400)	—	—	—	—
Issuance of common stock pursuant to warrant exercises	—	—	244,908	147	(147)	—	—	—	—
Issuance of common stock pursuant to stock option exercises	—	—	759	—	6,562	—	—	—	6,562
Issuance of common stock under employee stock purchase plan	—	—	3,136	2	6,140	—	—	—	6,142
Issuance of common stock to employees	—	—	2	—	—	—	—	—	—
Stock-based compensation expenses—employees	—	—	—	—	1,310,945	—	—	—	1,310,945
Stock-based compensation expenses—non-employees	—	—	—	—	29,408	—	—	—	29,408
Components of comprehensive loss:									
Net loss	—	—	—	—	—	—	—	(40,226,046)	(40,226,046)
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	(7,841)	—	(7,841)
Comprehensive loss									(40,233,887)
Balance as of December 31, 2009	724,618	60,004,986	5,983,725	3,590	298,469,584	—	—	(356,417,756)	2,060,404
Issuance of $28,500,000 of common stock in third closing of Private Placement, net of issuance costs of $1,786,786	—	—	17,272,716	10,364	26,702,850	—	—	—	26,713,214
Issuance of common stock upon conversion of preferred stock	(724,618)	(60,004,986)	7,246,339	4,348	60,000,638	—	—	—	—
Issuance of $28,819,974 of common stock through controlled equity offering facilities, net of issuance costs of $1,332,292	—	—	5,725,908	3,364	27,484,318	—	—	—	27,487,682
Issuance of $10,961,379 of common stock in 2010 Offering, net of issuance costs of $1,233,056	—	—	7,357,610	4,415	9,723,908	—	—	—	9,728,323
Issuance of common stock pursuant to warrant exercises	—	—	1,764,322	1,059	(1,059)	—	—	—	—
Issuance of common stock pursuant to stock option exercises	—	—	1,250	1	3,674	—	—	—	3,675
Issuance of common stock under employee stock purchase plan	—	—	3,528	2	5,756	—	—	—	5,758
Issuance of common stock to employees	—	—	16,256	10	(27,410)	—	—	—	(27,400)
Stock-based compensation expenses—employees	—	—	—	—	870,366	—	—	—	870,366
Stock-based compensation expenses—non-employees	—	—	—	—	6,858	—	—	—	6,858
Adjustment of common stock to par value as a result of Reverse Split	—	—	—	(22,616)	22,616	—	—	—	—
Components of comprehensive loss:									
Net loss	—	—	—	—	—	—	—	(24,587,485)	(24,587,485)
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	(14,726)	—	(14,726)
Comprehensive loss									(24,602,211)
Balance as of December 31, 2010	—	$ —	45,371,654	$ 4,537	$423,262,099	$ —	$ (14,726)	$(381,005,241)	$ 42,246,669

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities			
Net loss	$(24,587,485)	$(40,226,046)	$(37,185,627)
Adjustments to reconcile loss to net cash used in operating activities:			
Stock-based compensation expense	877,224	1,340,353	1,910,755
Depreciation and amortization	150,227	341,576	1,103,848
Non-cash expense related to Private Placement	—	21,016,997	—
Non-cash expense for revaluation of warrant liability	3,664,094	—	—
Non-cash restructuring (reversals) charges, net	—	(1,372,634)	1,937,821
(Gain) loss on sale or disposal of property and equipment	(82,239)	56,188	(189,111)
Exchange gain on marketable securities	(62,966)	—	—
Other non-cash items	(27,400)	—	—
Changes in operating assets and liabilities:			
Prepaids and other current assets	(702,457)	351,399	11,154
Deposits and other assets	43,322	83,401	229,972
Accounts payable	55,502	(430,246)	(672,171)
Accrued clinical expense	444,354	(736,547)	840,448
Accrued compensation	284,496	191,529	(1,688,653)
Other accrued liabilities	591,850	(790,128)	(503,145)
Deferred rent	(27,943)	(8,871)	(56,302)
Deferred revenue	—	—	(1,199,948)
Net cash used in operating activities	(19,379,421)	(20,183,029)	(35,460,959)
Cash flows from investing activities			
Purchases of property and equipment, net	(64,191)	(6,140)	(179,148)
Proceeds from sale of property and equipment	104,255	391,174	876,303
Purchases of marketable securities	(46,636,773)	(503,107)	(25,902,749)
Proceeds from maturities of marketable securities	7,512,533	4,817,110	57,477,417
Net cash (used in) provided by investing activities	(39,084,176)	4,699,037	32,271,823
Cash flows from financing activities			
Proceeds from issuance of convertible preferred stock and warrants under Private Placement, net of issuance costs	—	13,433,061	—
Proceeds from issuance of common stock under Private Placement, net of issuance costs	26,713,214	—	—
Proceeds from issuance of common stock through controlled equity offering facilities, net of issuance costs	27,487,682	—	—
Proceeds from issuance of common stock and warrants under 2010 Offering, net of issuance costs	14,217,941	—	—
Proceeds from exercise of stock options and from employee stock purchase plan	9,433	12,704	66,576
Payments on borrowing under equipment financing	—	—	(2,306,624)
Net cash provided by (used in) financing activities	68,428,270	13,445,765	(2,240,048)
Net increase (decrease) in cash and cash equivalents	9,964,673	(2,038,227)	(5,429,184)
Cash and cash equivalents at beginning of period	4,258,715	6,296,942	11,726,126
Cash and cash equivalents at end of period	$ 14,223,388	$ 4,258,715	$ 6,296,942
Supplemental disclosure of cash flow information			
Interest paid	$ 271	$ 1,187	$ 187,946
Supplemental disclosure of non-cash activities			
Deemed distributions to preferred stockholders	$ —	$ 27,563,400	$ —
Beneficial conversion feature on preferred stock	$ —	$ 1,188,400	$ —
Cashless exercise of warrants	$ 3,063,793	$ 439,780	$ —
Conversion of preferred stock to common stock	$ 60,004,986	$ —	$ —

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Overview

Sunesis Pharmaceuticals, Inc. (the "Company" or "Sunesis") was incorporated in the state of Delaware on February 10, 1998, and its facilities are located in South San Francisco, California. Sunesis is a biopharmaceutical company focused on the development and commercialization of new oncology therapeutics for the treatment of solid and hematologic cancers. 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.

In December 2010, the Company commenced enrollment of a Phase 3, multi-national, randomized, double-blind, placebo-controlled, pivotal clinical trial of vosaroxin in combination with cytarabine in patients with relapsed or refractory acute myeloid leukemia (the "VALOR trial").

Significant Risks and Uncertainties

The Company has incurred significant losses and negative cash flows from operations since its inception, and as of December 31, 2010, had cash, cash equivalents and marketable securities totaling $53.4 million and an accumulated deficit of $381.0 million.

Sunesis believes that it currently has the resources available and accessible to fund its operations until the planned unblinding of the VALOR trial in 2013. To the extent that the costs of the VALOR trial exceed the Company's current estimates or the Company is unable to raise sufficient additional capital through its controlled equity offering facility with Cantor (see Note 9) or otherwise, the Company will need to reduce operating expenses, enter into a collaboration or other similar arrangement with respect to development and/or commercialization rights to vosaroxin, outlicense intellectual property rights to vosaroxin, sell assets, or a combination of the above.

The Company will need to raise substantial additional capital if it expands the number of patients included in the trial based on the pre-specified interim analysis of data from the trial by the DSMB. In addition, the Company will need to raise substantial additional capital to complete the development and potential commercialization of vosaroxin. The Company expects to finance its future cash needs primarily through equity issuances, debt arrangements, a possible license, collaboration or other similar arrangement with respect to development and/or commercialization rights to vosaroxin, or a combination of the above.

As part of the VALOR trial, payables are incurred for services that are originally denominated in foreign currencies. According to its investment policy, the Company may purchase certain European currencies or highly-rated investments denominated in those currencies to manage the risk of future movements in foreign exchange rates that would affect such payables. 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.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The financial statements include a wholly owned subsidiary, Sunesis Europe Limited, a United Kingdom corporation. Management has determined that the Company operates as a single reportable segment. The financial statements include all adjustments (consisting

only of normal recurring adjustments) that management believes are necessary for a fair presentation of the periods presented. Prior period revenues and interest income (expense) in the statements of operations and certain liabilities in the balance sheets and statements of cash flows have been reclassified to conform to the current year presentation.

Reverse Stock Split

On February 14, 2011, the Company effected a one-for-six reverse split of its capital stock (the "Reverse Split"), as previously authorized and approved at the annual meeting of stockholders on June 2, 2010. As a result of the Reverse Split, every six shares of capital stock were combined into one share of capital stock. The Reverse Split affected all of the Company's common stock outstanding immediately prior to the effective time of the Reverse Split as well as the number of shares of common stock available for issuance under the Company's equity incentive plans. In addition, the Reverse Split effected a reduction in the number of shares of common stock issuable upon the exercise of outstanding stock options and warrants. The accompanying financial statements and notes to the financial statements give retroactive effect to the Reverse Split for all periods presented.

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. Actual results could differ materially from these estimates. Significant estimates, assumptions and judgments made by management include those related to revenue recognition, clinical trial accounting, stock-based compensation and the valuation of equity and related instruments.

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. 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. Estimated fair values are determined by the Company using available market information.

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 (expense) in the statement of operations. 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 (expense). The cost of securities sold is based on the specific-identification method.

Concentrations of Credit Risk and Financial Instruments

The Company invests cash that is not currently being used for operational purposes in accordance with its investment policy. The policy allows for the purchase of low risk debt securities issued by the U.S. and certain European governments and government agencies and very highly rated banks and corporations domiciled in the U.S. and certain European countries, subject to certain concentration limits. The policy limits maturities of

securities purchased to no longer than 18 months and the dollar-weighted average maturity of the portfolio to nine 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 carrying amounts of cash equivalents and marketable securities generally approximate fair value due to their short-term nature. 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.

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 Equity Financings

The accounting for the initial and second closing of the sale of $10.0 million and $5.0 million of units, respectively, in the Private Placement (see Note 9), and subsequent revaluations of the related financial instruments, required fair values to be established at different dates, either individually or in aggregate, for the four primary components of the Private Placement: (a) the Series A convertible preferred stock, (b) the warrants to purchase common stock, (c) the option for the investors to participate in the second closing (the “Second Closing Option”), and (d) the option for the investors to participate in the common equity closing (the “Common Equity Closing Option”). The Option-Pricing Method, which utilizes the Black-Scholes model, was selected to determine these fair values, which were calculated as a series of call options on the potential enterprise value of the Company at different valuation points at which the claims of the different stakeholder groups on the enterprise value would change. The results of the Black-Scholes model were affected by the Company’s stock price, as well as assumptions regarding a number of highly subjective variables. These variables included the expected term of the financial instruments and the Company’s expected stock price volatility, risk-free interest rate and dividend rate over the expected term. On June 30, 2010, the Company completed the third and final closing of the Private Placement. In conjunction with this common equity closing, each of the outstanding shares of Series A convertible preferred stock issued in the initial and second closings of the Private Placement were converted into shares of common stock.

In October 2010, the Company completed the 2010 Offering (see Note 9), in which the Company sold its common stock and warrants to purchase its common stock for aggregate gross proceeds of $15.5 million. Due to the potential for the warrants to be settled in cash upon the occurrence of certain transactions specified in the warrant agreements, the warrants are being accounted for as a derivative liability as opposed to permanent equity. Outstanding warrants under this arrangement are revalued to their fair value each period end, with the change in fair value recorded to other income (expense) in the statement of operations. As of December 31, 2010, the fair value of the warrants was $8.2 million. During the year ended December 31, 2010, the Company recorded $3.7 million in other income (expense) related to the change in the fair value of the warrants from the date of their issuance through December 31, 2010.

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 and whether there is objective and reliable evidence of the fair value of the undelivered items. 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, nonrefundable fees are deferred and recognized ratably over the projected performance period.

Research funding from collaborations is recognized as revenue as the related research services are performed. This funding is generally based on a specified amount per full-time equivalent employee per year.

Milestone payments which are substantive and at risk at the time of the execution of the collaboration agreement are recognized upon completion of the applicable milestone event. Any future royalty revenue will be recognized based on reported product sales by third-party licensees.

Research and Development

All research and development costs, including those funded by third parties, are expensed as incurred. Research and development expenses consist primarily of costs related to employee salaries and benefits, clinical trials (including amounts paid to contract research organizations (“CROs”), and participating clinical trial sites), consultants, outside services (including drug manufacturing), and facilities.

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 expenses. Costs incurred for setting up clinical trial sites for participation in trials are generally non-refundable, and are expensed immediately, 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 material 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 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 and related estimated forfeitures.

Foreign Currency

Transactions that are denominated in a foreign currency are translated into U.S. dollars at the current exchange rate on the date of the transaction. 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 (expense) in the statement of operations.

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 as other expense.

Comprehensive Loss

The Company displays comprehensive loss and its components within the statements of stockholders' equity, net of related tax effects. Comprehensive loss is comprised of net loss and unrealized gains or losses on available-for-sale securities.

2. Loss per Common Share

Basic loss per common share is calculated by dividing loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted loss per common share is computed by dividing loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period plus dilutive potential common shares as determined using the as-if converted method for convertible preferred stock and the treasury stock method for options and warrants to purchase common stock. Convertible preferred stock, options and warrants to purchase common stock have been excluded from the calculation of diluted loss per common share as their effect is anti-dilutive.

The following tables set forth the computation of basic and diluted loss per common share and the excluded potential common shares for outstanding securities as of the related period end dates:

	Year Ended December 31,		
	2010	2009	2008
Numerator:			
Net loss	$ (24,587,485)	$ (40,226,046)	$ (37,185,627)
Deemed distribution to preferred stockholders	—	(27,563,400)	—
Loss attributable to common stockholders	$ (24,587,485)	$ (67,789,446)	$ (37,185,627)
Denominator:			
Weighted-average common shares outstanding	24,860,212	5,746,786	5,731,196
Basic and diluted loss attributable to common stockholders per common share	$ (0.99)	$ (11.80)	$ (6.49)

	As of December 31,		
	2010	2009	2008
Outstanding securities not included in calculations:			
Convertible preferred stock, as-if converted	—	7,246,339	—
Warrants to purchase common stock	8,647,550	7,353,194	443,474
Options to purchase common stock	1,065,332	1,067,889	775,144
	9,712,882	15,667,422	1,218,618

3. Strategic Collaborations

The table below summarizes collaboration revenues for the periods presented:

	Year Ended December 31,		
	2010	2009	2008
Biogen Idec	$ —	$ 1,500,000	$ 4,310,551
Other	27,083	50,000	606,789
Total collaboration revenue	$ 27,083	$ 1,550,000	$ 4,917,340

In August 2004, the Company entered into a collaboration agreement with Biogen Idec, Inc., or Biogen Idec, to discover, develop and commercialize small molecule inhibitors of Raf kinase and up to five additional targets that play a role in oncology and immunology indications or in the regulation of the human immune system. Concurrent with the signing of the agreement, Biogen Idec paid a $7.0 million upfront technology access fee and made a $14.0 million equity investment in the Company through the purchase of the Company's Series C-2 preferred stock, which converted into common stock upon the Company's initial public offering in September 2005.

Pursuant to the terms of the collaboration agreement, the Company applied its Tethering technology to generate small molecule leads during the research term, for which it received research funding, which was paid in advance to support some of the Company's scientific personnel. In connection with the Company's June 2008 restructuring, the parties agreed to terminate the research term and related funding as of June 30, 2008. A total of $20.0 million of research funding was received through this date. The Company had received a total of $3.0 million in milestone payments for meeting certain preclinical milestones through December 31, 2010, including a $1.5 million milestone for Biogen Idec's selection of a Raf kinase inhibitor development candidate for the treatment of cancer which was received and recognized in 2009, and a $0.5 million milestone which was received and recognized in 2008.

The Company may in the future receive pre-commercialization milestone payments of up to $60.5 million per target, as well as royalty payments depending on product sales. Potential total royalty payments may be increased if the Company exercises its option to co-develop and co-promote product candidates for up to two targets worldwide (excluding Japan) and may be reduced if Biogen Idec is required to in-license additional intellectual property related to certain technology jointly developed under the collaboration agreement in order to commercialize a collaboration product.

In November 2010, Biogen Idec announced that it will seek to spin out or outlicense certain oncology assets, including this collaboration agreement. The Company cannot predict the outcome of this strategic decision by Biogen Idec or its impact on future development activity under the collaboration agreement or on the Company's prospects for the receipt of milestone or royalty payments under the collaboration agreement.

4. License Agreements

In March 2009, SARcode Corporation, or SARcode, a privately-held biopharmaceutical company, acquired the Company's interest in all of its LFA-1 patents and related know-how that had previously been licensed to SARcode. The cash consideration of $2.0 million was recorded as revenue in April 2009, once all related materials had been transferred. The Company still holds three secured convertible promissory notes, with a total principal amount of $1.0 million, which it received upon entry into the initial license agreement in March 2006. The notes are due in 2012 and are convertible into the preferred stock of SARcode at the Company's option. The Company has yet to record any amounts represented by these notes receivable as revenue, due to the uncertainty of their collectibility.

5. Financial Instruments

In accordance with applicable GAAP, the fair value of the Company's financial instruments reflect the amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). A fair value hierarchy is also utilized to prioritize valuation inputs, as follows:

Level 1 - quoted prices in active markets for identical assets and liabilities

Level 2 - significant observable inputs other than Level 1 inputs, such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability

Level 3 - unobservable inputs

The Company's Level 2 valuations are generally based upon quoted prices in active markets for similar securities, with prices adjusted for yield and number of days to maturity.

As part of the VALOR trial, payables are incurred for services that are originally denominated in foreign currencies, such as services performed outside of the United States by the Company's primary CRO, by clinical study sites, and for the provision of drug supply to those sites. To manage the risk of future movements in foreign exchange rates that would affect such payables, 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. To date, the Company has purchased Euros and Euro-denominated obligations of foreign governments. These cash, cash equivalent and short-term investment balances are recorded at their fair value based on the current exchange rate as of each balance sheet date. The resulting gains or losses offset exchange gains or losses on the related payables, both of which are recorded in the Company's statements of operations.

The following table summarizes the fair value of the Company's financial assets measured on a recurring basis as of December 31, 2010, which were comprised solely of available-for-sale securities with remaining contractual maturities of one year or less:

December 31, 2010	Input Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	Level 1	$14,036,573	$ —	$ —	$14,036,573
Corporate debt obligations	Level 2	20,113,847	174	(21,127)	20,092,894
Commercial paper	Level 2	16,986,375	6,850	—	16,993,225
Foreign government obligations	Level 2	2,086,984	—	(624)	2,086,360
Total available-for-sale securities		53,223,779	7,024	(21,751)	53,209,053
Less: amounts classified as cash equivalents		14,036,573	—	—	14,036,573
Amounts classified as marketable securities		$39,187,206	$ 7,024	$(21,751)	$39,172,480

The following table summarizes the available-for-sale securities that were in an unrealized loss position as of December 31, 2010, each having been in such a position for less than 12 months, and none deemed to be other-than-temporarily impaired:

December 31, 2010	Gross Unrealized Losses	Estimated Fair Value
Corporate debt obligations	$(21,127)	$19,579,881
Foreign government obligations	(624)	2,086,360
Total	$(21,751)	$21,666,241

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 been for relatively short durations. The Company does not intend to sell these securities and it is not more likely than not that they will need to be sold prior to the recovery of their amortized cost basis. There were no sales of available-for-sale securities in the years ended December 31, 2010, 2009 and 2008.

The Company's financial liabilities that were measured on a recurring basis as of December 31, 2010 were comprised solely of a warrant liability issued in connection with the 2010 Offering (see Note 9). The fair value of the warrant liability was $8.2 million as of December 31, 2010, which was established based on Level 3 inputs. The fair value was determined using the Black-Scholes model, which requires inputs such as the expected term of the warrants, share price volatility and risk-free interest rate. These inputs are subjective and generally require significant analysis and judgment to develop.

The fair value of the warrant liability was estimated using the following assumptions as of December 31, 2010:

	December 31, 2010
Fair market value of Company's common stock	$ 3.12
Exercise price	$ 2.52
Expected term (years)	4.8
Expected volatility	87.6%
Risk-free interest rate	1.9%
Expected dividend yield	0.0%
Estimated fair value per share	$ 2.22
Shares underlying outstanding warrants classified as liabilities	3,678,798
Total estimated fair value of outstanding warrants	$8,153,712

The following table provides a summary of changes in the fair value of the Company's Level 3 financial liabilities for the year ended December 31, 2010 (in thousands):

	Warrant Liability
Balance as of December 31, 2009	—
Initial fair value of warrant liability	4,489,618
Change in fair value of warrant liability included in other income (expense)	3,664,094
Balance as of December 31, 2010	$ 8,153,712

As of December 31, 2009, the Company held no financial assets or liabilities that were measured on a recurring basis other than money market funds of $4.2 million, which were valued based on Level 1 inputs and had no associated unrealized gains or losses.

6. Property and Equipment

Property and equipment is recorded at cost and consisted of the following as of December 31 of the periods presented:

	2010	2009
Computer equipment and software	$ 1,063,246	$ 1,054,449
Furniture and office equipment	471,549	437,912
Laboratory equipment	43,534	855,678
Leasehold improvements	376,388	376,388
	1,954,717	2,724,427
Less accumulated depreciation and amortization	(1,838,529)	(2,461,316)
Net property and equipment	$ 116,188	$ 263,111

7. Other Accrued Liabilities

Other accrued liabilities as of December 31 were as follows:

	2010	2009
Accrued outside services	$ 1,078,793	$ 390,418
Accrued professional services	292,633	359,076
Other accruals	8,983	39,065
Total other accrued liabilities	$ 1,380,409	$ 788,559

8. Commitments and Contingencies

Commitments

The Company's operating lease obligations as of December 31, 2010 relate to the lease of 15,000 square feet of office space in a building at 395 Oyster Point Boulevard in South San Francisco, California, which is currently the Company's headquarters. The lease was entered into in December 2006 and expires in April 2013, subject to the Company's option to extend the lease through February 2014. The operating lease agreement provides for increasing monthly rent payment over the lease term.

Aggregate non-cancelable future minimum rental payments under operating leases are as follows:

Year Ended December 31:	Payments
2011	$ 395,215
2012	404,441
2013	135,326
	$ 934,982

The Company recognizes rent expense on a straight-line basis. The Company recorded rent expense of $0.5 million, $0.8 million and $3.0 million for the years ended December 31, 2010, 2009 and 2008, respectively. Deferred rent balances in the Company's balance sheet represent the difference between actual rent payments and straight-line rent expense.

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.

9. Stockholders' Equity

Preferred Stock

The Company has 10,000,000 shares of authorized preferred stock issuable 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 zero and 724,618 shares of preferred stock outstanding as of December 31, 2010 and 2009, respectively.

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.

Private Placement

In March 2009, the Company entered into a securities purchase agreement with accredited investors, including certain members of management, providing for the private placement of up to $15.0 million of units consisting of Series A convertible preferred stock and warrants to purchase common stock, and up to $28.5 million in common stock, in three closings (collectively, the "Private Placement").

The initial closing of $10.0 million of units of the Private Placement was completed in April 2009, and the second closing of $5.0 million of units was completed in October 2009. The warrants have an exercise price of $1.32 per share and a term of seven years from the date of issuance. The net proceeds from the initial closing were $8.8 million, and net proceeds from the second closing were $4.7 million. In the initial closing, the Company issued 0.5 million shares of Series A convertible preferred stock, which were initially convertible into 4.8 million shares of common stock and warrants to purchase an aggregate of 4.8 million shares of common stock. In the second closing, the Company issued 0.2 million shares of Series A preferred stock, which were initially convertible into 2.4 million shares of common stock, and warrants to purchase 2.4 million shares of common stock.

Warrants for an aggregate of 2.3 million and 0.3 million shares of common stock were net exercised during the years ended December 31, 2010 and 2009, respectively, resulting in the issuance of 1.8 million shares and 0.2 million shares of common stock, respectively. As of December 31, 2010, warrants issued under the Private Placement for the purchase of 4.6 million shares of common stock were outstanding.

On June 30, 2010, the Company completed the third and final closing of the Private Placement, issuing 17.3 million shares of common stock to the investors at a purchase price of $1.65 per share, for gross proceeds of $28.5 million and net proceeds of $26.7 million. In conjunction with this common equity closing, each of the 0.7 million outstanding shares of Series A convertible preferred stock issued in the initial and second closings of the Private Placement were converted into 10 shares of common stock, and as a result, an additional 7.2 million shares of common stock were issued on June 30, 2010.

Other Investor Rights

The investors in the Private Placement received a number of additional rights as a result of their convertible preferred stock ownership, some of which expired upon conversion of the Series A preferred stock into common stock on June 30, 2010. The remaining rights include the right of certain of the investors to designate members of the Company's board of directors.

Accounting Treatment

On January 1, 2010, due to an amendment to the Private Placement agreements effected on October 27, 2009, the Series A convertible preferred stock became potentially redeemable upon certain events that were outside of the control of the Company, and all Series A convertible preferred stock issued in the Private Placement that was outstanding at that time was reclassified to mezzanine equity, outside of stockholders' equity. On March 29, 2010, as a result of an additional amendment to the Private Placement agreements, the Series A convertible preferred stock was reclassified back into stockholders' equity. On May 1, 2010, the Series A convertible preferred stock again became potentially redeemable upon certain events that were outside of the control of the Company, and all Series A convertible preferred stock issued in the Private Placement that was outstanding at that time was reclassified outside of stockholders' equity. On June 30, 2010, upon conversion of the Series A preferred stock into common stock, the value of the Series A convertible preferred stock was reclassified to common stock and additional paid-in capital.

Controlled Equity Offering

In January 2010, the Company entered into its first controlled equity offering sales agreement with Cantor Fitzgerald & Co. ("Cantor"), pursuant to which the Company could issue and sell shares of its common stock having an aggregate offering price of up to $15.0 million from time to time with Cantor acting as agent and/or principal, subject to certain conditions. Under this facility, the Company sold an aggregate of 2.6 million shares of common stock in the year ended December 31, 2010, at an average price of $5.67 per share for gross proceeds of $15.0 million. Net proceeds were $14.2 million after deducting Cantor's commission and costs to set up the facility. No further shares of common stock can be issued under this facility.

In April 2010, the Company entered into a second controlled equity offering sales agreement with Cantor, pursuant to which the Company could issue and sell shares of its common stock having an aggregate offering price of up to $20.0 million from time to time through Cantor acting as agent and/or principal. As of December 31, 2010, the Company had sold an aggregate of 3.1 million shares of common stock at an average price of $4.60 per share for gross proceeds of $14.2 million. Net proceeds were $13.7 million after deducting Cantor's commission and costs to set up the facility, of which $0.4 million was received upon settlement in January 2011. As of December 31, 2010, $5.8 million of common stock was available to be sold under this facility, subject to certain conditions as specified in the agreement.

From January 1, 2011 through March 15, 2011, the Company sold an aggregate of 0.6 million shares of common stock through the second controlled equity offering sales agreement with Cantor, at an average price of approximately $2.90 per share for gross proceeds of $1.8 million. Net proceeds were $1.7 million after deducting Cantor's commission. As of March 15, 2011, $4.0 million of common stock was available to be sold under this facility, subject to certain conditions as specified in the agreement.

2010 Offering

On October 6, 2010, the Company completed an underwritten offering, pursuant to which the Company issued an aggregate of 7.4 million shares of common stock and warrants to purchase 3.7 million shares of common stock, for aggregate gross proceeds of $15.5 million (the "2010 Offering"). Net proceeds from the sale were $14.2 million, after deducting the underwriting discount and offering expenses. The warrants are exercisable beginning six months after issuance at an exercise price of $2.52 per share, and expire five years from the date of issuance.

The warrants have been classified as a derivative liability in the Company's balance sheet due to potential cash settlement of the warrants on terms, which do not include a cash limit, and upon the occurrence of certain transactions, as specified in the warrant agreements. The warrants were initially recorded at their fair value of $4.5 million, which was estimated using the Black-Scholes model. At each subsequent balance sheet date, the estimated fair value of the outstanding warrants is determined using the Black-Scholes model and recorded to the balance sheet, with the change in fair value recorded to other income (expense) in the statement of operations. As of December 31, 2010, the fair value of the warrants was $8.2 million.

Stock Option Plans

The Company grants options primarily to: (i) new employees, 25% of which becomes exercisable on the first anniversary of the vesting commencement date, and 1/48th becomes exercisable each month over the remainder of the four-year vesting period, (ii) existing employees, 1/48th of which becomes exercisable each month following the date of grant over a period of four years, (iii) new non-employee members of the board of directors, 50% of which becomes 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, 1/12th of which becomes exercisable each month following the date of grant over a period of one year.

2005 Equity Incentive Award Plan

In February 2005, the Board of Directors adopted and, in September 2005, the stockholders approved, the 2005 Equity Incentive Award Plan (the "2005 Plan"). The 2005 Plan is intended to serve as the successor equity incentive program to the 1998 Stock Plan and 2001 Stock Plan. The Company initially reserved a total of 296,566 shares of common stock for issuance under the 2005 Plan plus shares underlying any options granted under the Company's 1998 Stock Plan or 2001 Stock Plan that expire or are cancelled without having been exercised or are repurchased by the Company pursuant to the terms of such options.

The number of shares of common stock reserved under the 2005 Plan automatically increases on the first trading day of each year by an amount equal to the lesser of: (i) 4% of the Company's outstanding shares of common stock on such date, (ii) 180,392 shares, or (iii) an amount determined by the Board of Directors. The maximum aggregate number of shares which may be issued or transferred over the term of the 2005 Plan is 1,882,352 shares.

On January 1, 2010, the number of shares of common stock reserved for future issuance under the 2005 Plan was increased by 180,392 shares pursuant to the evergreen provision detailed above. During the year ended December 31, 2010, options to purchase 64,586 shares of the Company's common stock were granted and 16,255 shares of the Company's common stock were issued under the 2005 Plan. As of December 31, 2010, options and awards for an aggregate of 1,511,966 shares of the Company's common stock had been granted and 355,404 shares were available for future grants under the 2005 Plan.

2006 Employment Commencement Incentive Plan

In November 2005, the Board of Directors adopted the 2006 Employment Commencement Incentive Plan (the "2006 Plan"), which became effective on January 1, 2006. Awards granted pursuant to the 2006 Plan are intended to be inducement awards pursuant to Nasdaq Marketplace Rule 4350(i)(1)(A)(iv). The 2006 Plan was not subject to the approval of the Company's stockholders. Eligibility to participate in the 2006 Plan is limited to employees who have not previously been employees or directors of the Company, or following a bona fide period of non-employment by the Company. Additionally, grants awarded to such employees under the 2006 Plan must be made in connection with commencement of employment and must be an inducement material to the person entering into employment with the Company.

In the year ended December 31, 2010, there was no increase in the number of shares of common stock reserved for issuance under the 2006 Plan, and no options were granted under the 2006 Plan. As of December 31,

2010, options to purchase an aggregate of 92,166 shares of the Company's common stock had been granted and 78,459 shares were available for future grants under the 2006 Plan.

Employee Stock Purchase Plan

In February 2005, the Board of Directors adopted and, in September 2005, the stockholders approved the Company's Employee Stock Purchase Plan (the "ESPP"). The 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 the beginning of a 12-month offering period or at the end of one of the two related 6-month purchase periods. The Company initially reserved a total of 33,824 shares of common stock for issuance under the ESPP.

The number of shares of common stock reserved under the ESPP automatically increases on the first trading day each year, by an amount equal to the lesser of: (i) 0.5% of the Company's outstanding shares of common stock on such date, (ii) 22,549 shares, or (iii) a lesser amount determined by the Board of Directors. The maximum aggregate number of shares which may be issued over the term of the ESPP is 225,491 shares. In addition, no participant in the ESPP may be issued or transferred shares of common stock valued at more than $25,000 per calendar year and no participant may purchase more than 196 shares during any purchase period.

A total of 3,528 shares were issued under the ESPP during the year ended December 31, 2010. As of December 31, 2010, 55,553 shares of the Company's common stock had been issued and 35,412 shares were available for future issuance under the ESPP.

Warrants

The Company had the following warrants to purchase common stock outstanding as of December 31, 2010:

Shares	Exercise Price	Expiration
362,329	$ 37.26	March 2013
263	$ 54.60	June 2013
126	$ 54.60	June 2014
13,737	$ 54.60	August 2015
174	$ 54.60	September 2015
2,876,329	$ 1.32	April 2016
1,715,794	$ 1.32	October 2016
3,678,798	$ 2.52	October 2015
Total warrants outstanding 8,647,550		

Reserved Shares

As of December 31, 2010, the Company's shares of common stock reserved for future issuance were as follows:

	Shares Available for Future Grant	Outstanding Securities	Total Shares Reserved
Warrants	—	8,647,550	8,647,550
Stock option plans	433,863	1,065,332	1,499,195
Employee stock purchase plan	35,412	—	35,412
Total reserved shares of common stock	469,275	9,712,882	10,182,157

10. Stock-Based Compensation

Overview

Employee stock-based compensation expense is calculated based on the grant-date fair value of awards ultimately expected to vest, reduced for estimated forfeitures, and is recorded on a straight-line basis over the vesting period of the awards. Forfeitures are estimated at the time of grant, based on historical option cancellation information, and revised in subsequent periods if actual forfeitures differ from those estimates. Employee stock-based compensation expense related to the Company's stock-based awards was as follows for the periods presented:

	Year ended December 31,		
	2010	2009	2008
Research and development	$ 300,592	$ 226,568	$ 644,549
General and administrative	569,774	1,084,377	1,265,379
Restructuring charges	—	—	366,637
Total employee stock-based compensation expense	$ 870,366	$ 1,310,945	$ 2,276,565

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 presented:

	Year Ended December 31,		
	2010	2009	2008
	Stock Option Plans		
Assumptions:			
Expected term (years)	4.5	4.5	5.0
Expected volatility	90.4%	86.7%	72.4%
Risk-free interest rate	1.7%	1.9%	3.3%
Expected dividend yield	0.0%	0.0%	0.0%
Fair value:			
Weighted-average estimated grant date fair value per share	$ 2.10	$ 1.86	$ 5.31
Options granted to employees	57,920	675,004	141,539
Total estimated grant date fair value	$0.1 million	$1.3 million	$0.8 million

The estimated fair value of stock options that vested in the years ended December 31, 2010, 2009 and 2008, was $0.8 million, $1.2 million and $2.2 million, respectively.

Purchase rights for 3,528, 3,136 and 7,467 shares were granted under the ESPP during the years ended December 31, 2010, 2009 and 2008, respectively. The weighted-average estimated fair value of purchase rights granted under the ESPP for the years ended December 31, 2010, 2009 and 2008 was $1.20, $1.92 and $6.54 per share, respectively, using the Black-Scholes model with the following weighted-average assumptions:

	Year Ended December 31,		
	2010	2009	2008
	Employee Stock Purchase Plan		
Expected term (years)	0.5 – 1.0	0.5 – 1.0	0.5 – 1.0
Expected volatility	132.0%	157.0%	93.4%
Risk-free interest rate	0.27%	1.1%	0.4% – 5.1%
Expected dividend yield	0.0%	0.0%	0.0%

For employee stock options, 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, as well as that for a mature peer group of companies in the same industry. For employee purchase rights under the ESPP, the expected term is equal to the purchase period. The risk-free interest rate assumptions are based upon observed interest rates appropriate for the expected life of the Company's employee stock options and employee purchase rights. 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:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2007	859,987	$ 23.05		
Options granted	154,041	$ 9.22		
Options canceled, forfeited or expired	(238,884)	$ 21.85		
Outstanding as of December 31, 2008	775,144	$ 20.66		
Options granted	684,171	$ 2.82		
Options exercised	(760)	$ 8.64		
Options canceled, forfeited or expired	(390,656)	$ 19.06		
Outstanding as of December 31, 2009	1,067,899	$ 9.83		
Options granted	64,586	$ 3.06		
Options exercised	(1,250)	$ 2.94		
Options canceled, forfeited or expired	(65,903)	$ 13.55		
Outstanding as of December 31, 2010	1,065,332	$ 9.19	7.50	$219,311
Vested and expected to vest as of December 31, 2010	1,020,531	$ 9.46	7.44	$207,968
Exercisable as of December 31, 2010	618,531	$ 13.25	6.63	$110,948

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, 2010.

The intrinsic value of options exercised during the years ended December 31, 2010, 2009 and 2008 was $3,000, $1,000 and zero, 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 $0.9 million as of December 31, 2010, 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 2.5 years.

11. Restructuring

In the first quarter of 2009, the Company recorded a restructuring charge of $0.6 million for employee severance and related benefit costs related to a restructuring plan initiated in March 2009. The severance payments were made in the second quarter of 2009, and other personnel-related expenses such as employee benefits were paid over the remainder of 2009. These charges are included in “Restructuring charges” in the Company’s statement of operations for the year ended December 31, 2009.

In June 2008, the Company implemented a corporate realignment to focus on the development of vosaroxin (the “2008 Restructuring”). For the year ended December 31, 2008, the Company recorded total charges of $5.9 million related to the 2008 Restructuring, including $3.5 million for employee severance and related benefits, $1.6 million for asset impairments, and $0.8 million for other facility closure expenses. For the year ended December 31, 2009, the Company recorded net charges of $1.3 million for the 2008 Restructuring, including $2.2 million for lease termination fees and $0.4 million for third-party commissions, partially offset by the reversal of $1.4 million of deferred rent. No liability remained as of December 31, 2009.

12. Income Taxes

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:

	Year Ended December 31,		
	2010	2009	2008
Tax at statutory rate	$ (8,359,472)	$ (13,676,582)	$ (12,642,344)
Current year net operating losses and temporary differences for which no tax benefit is recognized	6,972,997	6,340,457	12,223,875
Non-cash expense related to financings	1,245,792	7,145,779	—
Other permanent differences	140,683	190,346	418,469
Provision for income taxes	$ —	$ —	$ —

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:

	December 31,	
	2010	2009
Deferred tax assets:		
Net operating loss carry-forwards	$ 95,547,000	$ 87,303,000
Federal and state research credit carry-forwards	9,660,000	8,852,000
Capitalized research costs	5,098,000	5,181,000
Property and equipment	183,000	181,000
Accrued liabilities	1,808,000	1,857,000
Gross deferred tax assets	112,296,000	103,374,000
Valuation allowance	(112,296,000)	(103,374,000)
Net deferred tax assets	$ —	$ —

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 increased by approximately $8.9 million, $7.7 million and $15.0 million during the years ended December 31, 2010, 2009 and 2008, respectively.

As of December 31, 2010, the Company had federal net operating loss carry-forwards of $253.6 million and federal research and development tax credit carry-forwards of $5.8 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, 2010, the Company had state net operating loss carry-forwards of $155.6 million, which begin to expire in 2012, and state research and development tax credit carry-forwards of $5.6 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, 2010 and 2009, the Company had no unrecognized tax positions.

The Company files U.S. federal and California tax returns. The Company's wholly owned subsidiary files tax returns in the United Kingdom. To date, neither the Company nor its wholly owned subsidiary has been audited by the Internal Revenue Service, any state income tax authority or tax authority in the United Kingdom. Due to net operating loss carry-forwards, substantially all of the Company's tax years remain open to federal tax examination. The tax return for California is subject to a four year statute of limitations.

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, 2010.

14. Selected Quarterly Financial Data (unaudited)

	Three Months Ended							
	Mar. 31, 2010	June 30, 2010	Sep. 30, 2010	Dec. 31, 2010	Mar. 31, 2009	June 30, 2009	Sep. 30, 2009	Dec. 31, 2009
Revenue	$ 12,500	$ 14,583	$ —	$ —	$ 224,047	$ 3,512,500	$ 12,500	$ 12,500
Net loss	$ (4,647,682)	$ (4,783,947)	$ (5,084,034)	$ (10,071,822)	$ (8,363,436)	$ (22,878,464)	$ (4,949,074)	$ (4,035,072)
Deemed distribution to preferred stockholders	$ —	$ —	$ —	$ —	$ —	$ (26,375,000)	$ —	$ (1,188,400)
Loss attributable to common stockholders	$ (4,647,682)	$ (4,783,947)	$ (5,084,034)	$ (10,071,822)	$ (8,363,436)	$ (49,253,464)	$ (4,949,074)	$ (5,223,472)
Basic and diluted loss attributable to common stockholders per common share	$ (0.65)	$ (0.44)	$ (0.14)	$ (0.23)	$ (1.46)	$ (8.59)	$ (0.86)	$ (0.90)
Shares used in computing basic and diluted loss attributable to common stockholders per common share	7,142,434	10,912,203	36,969,986	43,879,448	5,734,961	5,735,478	5,736,530	5,779,792

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 their evaluation as of December 31, 2010, our 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.

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 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, 2010. Management based its assessment on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework*. Based on this evaluation, our management concluded that as of December 31, 2010, our internal control over financial reporting was effective.

The Company's internal control over financial reporting was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company, as a non-accelerated filer, to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2010 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 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 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, 2010, 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 and 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, 2010:

Plan Category	(A) Number of Securities to be Issued upon Exercise of Outstanding Options	(B) Weighted Average Exercise Price of Outstanding Options	(C) 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)	1,039,624(2)	$ 9.20	390,816(3)
Equity Compensation Plans Not Approved by Stockholders(4)	25,708	$ 9.12	78,459
Total	1,065,332	$ 9.19	469,275

(1) Includes securities issuable under our 2005 Equity Incentive Award Plan, or 2005 Plan, and 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. Participation is limited to 20% of an employee's eligible compensation, subject to limitations under the Internal Revenue Code.

(3) Includes (i) 355,404 shares of common stock available for issuance under our 2005 Plan and (ii) 35,412 shares of common stock available for issuance under our ESPP. Beginning in 2006, the number of shares of common stock reserved under the 2005 Plan automatically increases on the first trading day each year by an amount equal to the lesser of: (i) 4% of the Company's outstanding shares of common stock outstanding on such date, (ii) 180,392 shares, or (iii) an amount determined by the Board of Directors. The number of shares of common stock reserved under our ESPP automatically increases on the first trading day each year by an amount equal to the least of: (i) 0.5% of our outstanding shares of common stock outstanding on such date, (ii) 22,549 or (iii) a lesser amount determined by our Board of Directors.

(4) Represents our 2006 Employment Commencement Incentive Plan.

The additional information required by this Item 12 concerning our non-stockholder approved equity compensation plans is discussed in the notes to our consolidated financial statements contained in Part II, Item 8 of this report and is incorporated herein by reference. Any other information required by this Item 12 will be set forth in our definitive Proxy Statement and is incorporated in this report by reference.

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 AND 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 immediately following the signature page of this report.

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 29, 2011.

SUNESIS PHARMACEUTICALS, INC.

By: /s/ ERIC H. BJERKHOLT
Eric H. Bjerkholt
Senior Vice President, Corporate Development and Finance, Chief Financial Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel N. Swisher, Jr. and Eric H. Bjerkholt, 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 29, 2011
/s/ DANIEL N. SWISHER, JR. Daniel N. Swisher, Jr.	President, Chief Executive Officer and Director *(Principal Executive Officer)*	March 29, 2011
/s/ ERIC H. BJERKHOLT Eric H. Bjerkholt	Senior Vice President, Corporate Development and Finance, Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	March 29, 2011
/s/ MATTHEW K. FUST Matthew K. Fust	Director	March 29, 2011
/s/ EDWARD HURWITZ Edward Hurwitz	Director	March 29, 2011
/s/ HELEN S. KIM Helen S. Kim	Director	March 29, 2011
/s/ DAYTON MISFELDT Dayton Misfeldt	Director	March 29, 2011
Homer L. Pearce Ph.D.	Director	
/s/ DAVID C. STUMP,M.D. David C. Stump, M.D.	Director	March 29, 2011

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	
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7 above.					
4.2	Specimen Common Stock certificate of the Registrant					X
4.3	Investor Rights Agreement, dated April 3, 2009, by and among the Registrant and the purchasers identified on the signature pages thereto	8-K	000-51531	4.1	4/3/2009	
10.1*	1998 Stock Plan and Form of Stock Option Agreement	S-1/A	333-121646	10.1	1/27/2005	
10.2*	2001 Stock Plan and Form of Stock Option Agreement	S-1	333-121646	10.2	12/23/2004	
10.3*	2005 Equity Incentive Award Plan, as amended, and Form of Stock Option Agreement	10-K/A	000-51531	10.3	4/30/2009	
10.4*	Employee Stock Purchase Plan and Enrollment Form	10-Q	000-51531	10.4	11/9/2006	
10.5*	Form of Indemnification Agreement for directors and executive officers	S-1	333-121646	10.5	12/23/2004	
10.6	Warrant, dated June 11, 2003, issued to General Electric Capital Corporation	S-1	333-121646	10.21	12/23/2004	
10.7	Warrant, dated June 21, 2004, issued to General Electric Capital Corporation and Amendment No. 1 thereto, dated December 16, 2004	S-1/A	333-121646	10.22	4/29/2005	
10.8†	Collaboration Agreement, dated December 18, 2002, by and between the Registrant and Biogen Idec MA Inc. (successor to Biogen Inc.)	S-1/A	333-121646	10.26	1/27/2005	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.9†	Amendment No. 1 to Collaboration Agreement, dated June 17, 2003, between the Registrant and Biogen Idec MA Inc.	S-1/A	333-121646	10.27	1/27/2005	
10.10†	Amendment No. 2 to Collaboration Agreement, dated September 17, 2003, between the Registrant and Biogen Idec MA Inc.	S-1/A	333-121646	10.28	1/27/2005	
10.11†	Collaboration Agreement, dated August 25, 2004, between the Registrant and Biogen Idec, Inc.	S-1/A	333-121646	10.29	4/29/2005	
10.12†	License Agreement, dated October 14, 2003, by and between the Registrant and Dainippon Sumitomo Pharma Co., Ltd. (formerly known as Dainippon Pharmaceutical Co., Ltd.)	S-1/A	333-121646	10.36	4/29/2005	
10.13	Warrant, dated August 25, 2005, issued to Horizon Technology Funding Company II LLC	S-1/A	333-121646	10.40	9/1/2005	
10.14	Warrant, dated August 25, 2005, issued to Horizon Technology Funding Company III LLC	S-1/A	333-121646	10.41	9/1/2005	
10.15	Warrant, dated August 25, 2005, issued to Oxford Finance Corporation	S-1/A	333-121646	10.42	9/1/2005	
10.16	Warrant, dated September 9, 2005, issued to General Electric Capital Corporation					X
10.17*	Amended and Restated 2006 Employment Commencement Incentive Plan	10-K/A	000-51531	10.32	4/30/2009	
10.18	Common Stock and Warrant Purchase Agreement, dated as of March 17, 2006, among the Registrant and the investors listed on the signature pages thereto	8-K	000-51531	10.44	3/22/2006	
10.19	Registration Rights Agreement, dated as of March 17, 2006, among the Registrant and the investors listed on the signature pages thereto	8-K	000-51531	10.45	3/22/2006	
10.20	Form of Warrant	8-K	000-51531	10.46	3/22/2006	
10.21†	Sublease, dated December 22, 2006, by and between the Registrant and Oncology Therapeutics Network Joint Venture, L.P., for office space located at 395 Oyster Point Boulevard, South San Francisco, California	10-K	000-51531	10.47	3/17/2008	
10.22*	Consulting Agreement, dated August 17, 2006, by and between the Registrant and Homer L. Pearce, Ph. D.	10-Q	000-51531	10.49	5/9/2007	
10.23*	Consulting Agreement, dated September 2, 2006, by and between the Registrant and David C. Stump, M. D.	10-Q	000-51531	10.50	5/9/2007	
10.24*	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	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.25*	Amended and Restated Executive Severance Benefits Agreement, dated December 23, 2008, by and between the Registrant and Steven B. Ketchum, Ph.D.	10-K	000-51531	10.43	4/3/2009	
10.26*	Second Amended and Restated Executive Severance Benefits Agreement, dated December 24, 2008, by and between Registrant and Daniel N. Swisher, Jr.	10-K	000-51531	10.44	4/3/2009	
10.27*	Second Amended and Restated Executive Severance Benefits Agreement, dated December 24, 2008, by and between Registrant and Eric H. Bjerkholt	10-K	000-51531	10.45	4/3/2009	
10.28*	Second Amended and Restated Executive Severance Benefits Agreement, dated December 23, 2008, by and between Registrant and James W. Young, Ph.D.	10-K	000-51531	10.46	4/3/2009	
10.29*	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	
10.30	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	
10.31	Intellectual Property Assignment and License Termination Agreement by and between the Registrant and SARcode Corporation, dated March 6, 2009	8-K	000-51531	10.72	3/10/2009	
10.32	Form of Amended and Restated Convertible Secured Promissory Notes issued by SARcode Corporation to the Registrant, dated March 6, 2009	8-K	000-51531	10.73	3/10/2009	
10.33	Summary of Non-Employee Director Cash Compensation Arrangements	10-Q	000-51531	10.2	8/13/2010	
10.34	Intellectual Property Assignment and License Agreement, dated March 6, 2009, by and between the Company and SARcode Corporation, and related Exhibit 3.2	8-K	000-51531	10.72, 10.73	3/10/2009	
10.35	Securities Purchase Agreement, dated March 31, 2009, by and among the Registrant and the purchasers identified on the signature pages thereto	8-K	000-51531	10.1	4/3/2009	
10.36	Form of Warrant to purchase shares of Common Stock	8-K	000-51531	10.2	4/3/2009	
10.37*	Sunesis Pharmaceuticals, Inc. Amended and Restated Change of Control Payment Plan	8-K	000-51531	10.1	9/21/2010	
10.38*	Sunesis Pharmaceuticals, Inc. Amended and Restated 2009 Bonus Program	8-K	000-51531	10.2	4/2/2010	

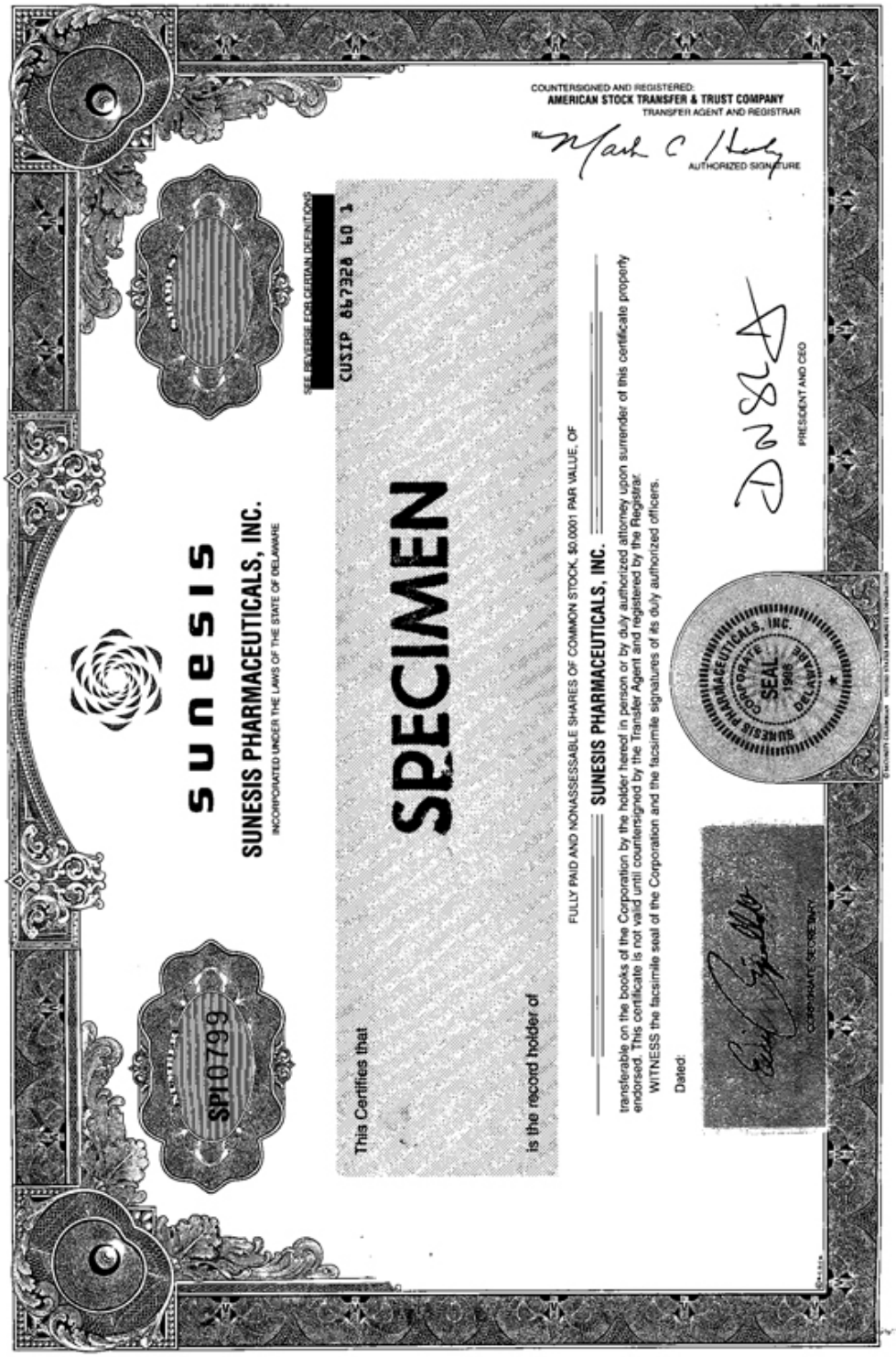
Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.39	Agreement Regarding Private Placement of Securities of Sunesis Pharmaceuticals, Inc., dated as of June 29, 2009, by and among the Registrant and the investors identified on the signature pages thereto	8-K	000-51531	10.1	7/2/2009	
10.40*	Medical benefits arrangement with James W. Young, Ph.D.	10-Q	000-51531	10.65	7/28/2009	
10.41	Second Agreement Regarding Private Placement of Securities of Sunesis Pharmaceuticals, Inc., dated as of October 27, 2009, by and among the Registrant and the investors identified on the signature pages thereto	8-K	000-51531	10.66	11/2/2009	
10.42	Third Agreement Regarding Private Placement of Securities of Sunesis Pharmaceuticals, Inc., dated as of January 19, 2010, by and among the Registrant and the investors identified on the signature pages thereto	8-K	000-51531	10.67	1/21/2010	
10.43	Sales Agreement, dated January 20, 2010, between the Registrant and Cantor Fitzgerald & Co.	8-K	000-51531	10.67	1/21/2010	
10.44	Fourth Agreement Regarding Private Placement of Securities of Sunesis Pharmaceuticals, Inc., dated as of March 29, 2010, by and among the Registrant and the investors identified on the signature pages thereto	8-K	000-51531	10.1	4/2/2010	
10.45	Sales Agreement, dated April 29, 2010, between the Registrant and Cantor Fitzgerald & Co.	8-K	000-51531	10.1	4/29/2010	
10.46*	Sunesis Pharmaceuticals, Inc. 2010 Bonus Program	8-K	000-51531	10.2	9/21/2010	
10.47	Underwriting Agreement, dated September 30, 2010, by and between the Registrant and Cowen and Company LLC	8-K	000-51531	1.1	10/1/2010	
10.48	Form of Warrant to Purchase Common Stock of the Registrant	8-K	000-51531	4.1	10/1/2010	
10.49	Master Services Agreement, dated November 3, 2003, by and between the Registrant and AAI Developmental Services Inc.					X
10.50	First Amendment to Master Services Agreement, dated September 11, 2006, by and between the Registrant and AAIPharma Inc.					X
10.51	Second Amendment to Master Services Agreement, dated May 2, 2008, by and between the Registrant and AAIPharma Inc.					X
10.52	Third Amendment to Master Services Agreement, dated November 3, 2009, by and between the Registrant and AAIPharma Services Corp.					X
10.53	Master Services Agreement, dated January 1, 2010, by and between the Registrant and Albany Molecular Research, Inc.					X

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.54	Master Services Agreement, dated June 21, 2010, by and between the Registrant and Icon Clinical Research Limited					X
21.1	Subsidiaries of the Registrant	10-K	000-51531	21.1	3/17/2008	
23.1	Consent of Independent Registered Public Accounting Firm					X
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
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

* 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.


COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY
TRANSFER AGENT AND REGISTRAR
AUTHORIZED SIGNATURE
SUNESIS PHARMACEUTICALS, INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE
SEE REVERSE FOR CERTAIN DEFINITIONS
CUSIP 867328 60 1
SPECIMEN
This Certifies that
is the record holder of
FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK, $0.0001 PAR VALUE, OF
SUNESIS PHARMACEUTICALS, INC.
transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.
WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.
Dated:
SUNESIS PHARMACEUTICALS, INC. CORPORATE SEAL 1998 DELAWARE
CORPORATE SECRETARY
PRESIDENT AND CEO
SP10799

SUNESIS PHARMACEUTICALS, INC.

The Corporation shall furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM —	as tenants in common	UNIF GIFT MIN ACT —	_____ Custodian _____ (Cust) (Minor) under Uniform Gifts to Minors Act _____
TEN ENT —	as tenants by the entireties		
JT TEN —	as joint tenants with right of survivorship and not as tenants Act common	UNIF TRF MIN ACT —	_____ Custodian (until Age _____ (Cust) _____ under Uniform Transfers (Minor) to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS. INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ Shares

of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

X _____

X _____

NOTICE THE SIGNATURE (S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER

Signature(s) Guaranteed

By _____

THE SIGNATURE(s) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION BANKS. STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE I7Ad-15

Exhibit 10.16

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.

WARRANT TO PURCHASE 1,524 SHARES OF SERIES C PREFERRED STOCK

September 9, 2005

THIS CERTIFIES THAT, for value received, **General Electric Capital Corporation** ("Holder") is entitled to subscribe for and purchase One Thousand Five Hundred Twenty Four (1,524) shares of the fully paid and nonassessable Series C Preferred Stock (the "Shares" or the "Preferred Stock") of Sunesis Pharmaceuticals Incorporated, a Delaware corporation (the "Company"), at the Warrant Price (as hereinafter defined), subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, the term "Series C Preferred Stock" shall mean the Company's presently authorized Series C Preferred Stock and any stock into which such Series C Preferred Stock may hereafter be converted or exchanged.

1. Warrant Price. The Warrant Price shall initially be Four and 80/100 dollars ($4.80) per share, subject to adjustment as provided in Section 7 below.

2. Conditions to Exercise. The purchase right represented by this Warrant may be exercised at any time, or from time to time, in whole or in part during the term commencing on the date hereof and ending at 5:00 P.M. Pacific time 36 months after the Company's initial public offering or on the tenth anniversary of the date of this Warrant, whichever is earlier.

3. Method of Exercise; Payment; Issuance of Shares; Issuance of New Warrant.

(a) Cash Exercise. Subject to Section 2 hereof, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this Warrant (with a duly executed Notice of Exercise in the form attached hereto) at the principal office of the Company (as set forth in Section 18 below) and by payment to the Company, by check, of an amount equal to the then applicable Warrant Price per share multiplied by the number of shares then being purchased. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be in the name of, and delivered to, the Holder hereof, or as such Holder may direct (subject to the terms of transfer contained herein and upon payment by such Holder hereof of any applicable transfer taxes). Such delivery shall be made within 30 days after exercise of the Warrant and at the Company's expense and, unless this Warrant has been fully exercised or expired, a new Warrant having terms and conditions substantially identical to this Warrant and representing the portion of the Shares, if any, with

respect to which this Warrant shall not have been exercised, shall also be issued to the Holder hereof within 30 days after exercise of the Warrant.

(b) Net Issue Exercise. Holder may also elect to receive shares equal to the value of this Warrant (or of any portion thereof remaining unexercised) by surrender of this Warrant at the principal office of the Company together with notice of such election, in which event the Company shall issue to Holder the number of shares of the Company's Preferred Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X = the number of shares of Preferred Stock to be issued to Holder.
Y = the number of shares of Preferred Stock purchasable under this Warrant (at the date of such calculation).
A = the Fair Market Value of one share of the Company's Preferred Stock (at the date of such calculation).
B = Warrant Price (as adjusted to the date of such calculation).

(c) Fair Market Value. For purposes of this Section 3, Fair Market Value of one share of the Company's Preferred Stock shall mean:

(i) In the event of an exercise in connection with an Initial Public Offering, the per share Fair Market Value for the Preferred Stock shall be the Offering Price at which the underwriters initially sell Common Stock to the public multiplied by the number of shares of Common Stock into which each share of Preferred Stock is then convertible; or

(ii) The average of the closing bid and asked prices of Common Stock quoted in the Over-The-Counter Market Summary, the last reported sale price quoted on the Nasdaq National Market ("NNM") or on any exchange on which the Common Stock is listed, whichever is applicable, as published in the Western Edition of the Wall Street Journal for the ten (10) trading days prior to the date of determination of Fair Market Value, multiplied by the number of shares of Common Stock into which each share of Preferred Stock is then convertible; or

(iii) In the event of an exercise in connection with a merger, acquisition or other consolidation in which the Company is not the surviving entity, the per share Fair Market Value for the Preferred Stock shall be, the value to be received per share of Preferred Stock by all holders of the Preferred Stock in such transaction as determined by the Board of Directors; or

(iv) In any other instance, the per share Fair Market Value for the Preferred Stock shall be as determined in good faith by the Company's Board of Directors.

In the event of 3(c)(iii) or 3(c)(iv), above, the Company's Board of Directors shall prepare a certificate, to be signed by an authorized officer of the Company, setting forth in reasonable detail the basis for and method of determination of the per share Fair Market Value of the Preferred Stock. The Board will also certify to the Holder that this per share Fair Market Value will be applicable to all holders of the Company's Preferred Stock. Such certification must be made to Holder at least thirty (30) business days prior to the proposed effective date of the merger, consolidation, sale, or other triggering event as defined in 3(c)(iii) or 3(c)(iv).

(d) Automatic Exercise. To the extent this Warrant is not previously exercised, it shall be automatically exercised in accordance with Sections 3(b) and 3(c) hereof (even if not surrendered) immediately before its expiration, involuntary termination or cancellation.

4. Representations and Warranties of Holder and the Company

(a) Representations and Warranties by Holder. The Holder represents and warrants to the Company with respect to this purchase as follows:

(i) The Holder has substantial experience in evaluating and investing in private placement transactions of securities of companies similar to the Company so that the Holder is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its interests.

(ii) Except for transfers to a Holder affiliate, the Holder is acquiring the Warrant and the Shares of Preferred Stock issuable upon exercise of the Warrant (collectively the "Securities") for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof. The Holder understands that the Securities have not been registered under the Securities Act of 1933, as amended (the "Act") by reason of a specific exemption from the registration provisions of the Act which depends upon, among other things, the bona fide nature of the investment intent as expressed herein.

(iii) The Holder acknowledges that the Securities must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Holder is aware of the provisions of Rule 144 promulgated under the Act.

(iv) The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

(v) The Holder has had an opportunity to discuss the Company's business, management and financial affairs with its management and an opportunity to review the Company's facilities. The Holder understands that such discussions, as well as the written information issued by the Company, were intended to describe the aspects of the Company's business and prospects which the Company believes to be material but were not necessarily a thorough or exhaustive description.

(b) Company hereby represents and warrants to Holder that, [except as set forth in the schedule attached to this Warrant as Exhibit A (the "Disclosure Schedule")], the statements in the following paragraphs of this Section 4(b) are true and correct (a) as of the date hereof and (b) except where any such representation and warranty relates specifically to an earlier date, as of the date of any exercise of this Warrant.

(i) Corporate Organization and Authority. Company (a) is a corporation duly organized, validly existing, and in good standing in its jurisdiction of incorporation, (b) has the corporate power and authority to own and operate its properties and to carry on its business as now conducted and as proposed to be conducted; and (c) is qualified as a foreign corporation in all jurisdictions where such qualification is required.

(ii) Corporate Power. Company has all requisite legal and corporate power and authority to execute, issue and deliver the Warrant, to issue the Common Stock issuable upon exercise or conversion of the Warrant, and to carry out and perform its obligations under the Warrant and any related agreements.

(iii)Authorization ; Enforceability. All corporate action on the part of Company, its officers, directors and shareholders necessary for the authorization, execution, delivery and performance of its obligations under this Warrant and for the authorization, issuance and delivery of the Warrant and the Warrant Stock issuable upon exercise of the Warrant has been taken and this Warrant constitutes the legally binding and valid obligation of Company enforceable in accordance with its terms.

(iv) Valid Issuance of Warrant and Preferred Stock The Warrant has been validly issued and is free of restrictions on transfer other than restrictions on transfer set forth herein and under applicable state and federal securities laws. The Preferred Stock issuable upon conversion of this Warrant, when issued, sold and delivered in accordance with the terms of this Warrant for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable, and will be free of restrictions on transfer other than restrictions on transfer under this Warrant and under applicable state and federal securities laws. Subject to applicable restrictions on transfer, the issuance and delivery of the Warrant and the Preferred Stock issuable upon conversion of the Warrant are not subject to any preemptive or other similar rights or any liens or encumbrances except as specifically set forth in Company's Certificate of Incorporation or this Warrant. The offer, sale and issuance of the Warrant and Preferred Stock, as contemplated by this Warrant, are exempt from the prospectus and registration requirements of applicable United States federal and state security laws, and neither Company nor any authorized agent acting on its behalf has or will take any action hereafter that would cause the loss of such exemption.

(v) No Conflict with Other Instruments. The execution, delivery, and performance of this Warrant will not result in any violation of, be in conflict with, or constitute a default under, with or without the passage of time or the giving of notice (a) any provision of Company's Certificate of Incorporation or by-laws; (b) any provision of any judgment, decree, or order to which Company is a party or by which it is bound or an event which results in the creation of any material lien, charge or encumbrance upon any material assets of Company; (c) any contract, obligation, or commitment to which Company is a party or by which it is bound; or (d) any statute, rule, or governmental regulation applicable to Company.

(vi) Capitalization. As of recent date, the authorized capital stock of Company consists of 110,000,000 shares of [Common Stock], 0.0001 par value, of which 6,065,316 were issued and outstanding, [and 38,582,000 shares of Preferred Stock, 0.0001 a par value, of which 36,491,605 were issued and outstanding]. The outstanding shares have been duly authorized and validly issued (including, without limitation, issued in compliance with applicable federal and state securities laws), are fully paid and nonassessable [and have been issued in compliance with the registration and prospectus delivery requirements of the Securities Act and the registration and qualification requirements of all applicable state securities laws, or in compliance with applicable exemptions therefrom]. Company has reserved 1524 shares of Common Stock for issuance upon conversion of the Preferred Stock. Except as set forth in

Section 4(b) of the Disclosure Schedule, there are no outstanding warrants, options, conversion privileges, preemptive rights or other rights or agreements to purchase or otherwise acquire or issue any equity securities or Convertible Securities of Company, nor has the issuance of any of the aforesaid rights to acquire securities of Company been authorized.

(vii) Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of Company is required in connection with the offer, sale or issuance of the Warrant (and the Preferred Stock issuable upon conversion of the Shares), or the consummation of any other transaction contemplated hereby, except for the following: (a) the filing of a notice on Form D under the Act and b) the compliance with other applicable state securities laws, which compliance will have occurred within the appropriate time periods therefore. The offer, sale and issuance of the Warrant and the shares of Preferred Stock in conformity with the terms of this Warrant are exempt from the registration requirements of the Act and any applicable state laws.

5 Legends.

(a) Each certificate representing the Securities shall be endorsed with the following legend:

> THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED UNLESS COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT, A “NO ACTION” LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO SUCH TRANSFER, A TRANSFER MEETING THE REQUIREMENTS OF RULE 144 OF THE SECURITIES AND EXCHANGE COMMISSION, OR (IF REASONABLY REQUIRED BY THE COMPANY) AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY SUCH TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

The Company need not enter into its stock records a transfer of Securities unless the conditions specified in the foregoing legend are satisfied. The Company may also instruct its transfer agent not to allow the transfer of any of the Shares unless the conditions specified in the foregoing legend are satisfied.

(b) Removal of Legend and Transfer Restrictions. The legend relating to the Act endorsed on a certificate pursuant to paragraph 5(a) of this Warrant shall bç removed and the Company shall issue a certificate without such legend to the Holder of the Securities if (i) the Securities are registered under the Act and a prospectus meeting the requirements of Section 10 of the Act is available or (ii) the Holder provides to the Company an opinion of counsel for the Holder reasonably satisfactory to the Company, a no-action letter or interpretive opinion of the staff of the SEC reasonably satisfactory to the Company, or other evidence reasonably satisfactory to the Company, to the effect that public sale, transfer or assignment of the Securities may be made without registration and without compliance with any restriction such as Rule 144.

6. Condition of Transfer or Exercise of Warrant. It shall be a condition to any transfer or exercise of this Warrant that at the time of such transfer or exercise, the Holder shall provide the Company with a representation in writing that the Holder or transferee is acquiring this Warrant and the shares of Preferred Stock to be issued upon exercise for investment purposes only and not with a view to any sale or distribution, or will provide the Company with a statement of pertinent facts covering any proposed distribution. As a further condition to any transfer of this Warrant or any or all of the shares of Preferred Stock issuable upon exercise of this Warrant, other than a transfer registered under the Act, the Company may request a legal opinion, in form and substance satisfactory to the Company and its counsel, reciting the pertinent circumstances surrounding the proposed transfer and stating that such transfer is exempt from the registration and prospectus delivery requirements of the Act. The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder. Each certificate evidencing the shares issued upon exercise of the Warrant or upon any transfer of the shares (other than a transfer registered under the Act or any subsequent transfer of shares so registered) shall, at the Company's option, if the Shares are not freely saleable under Rule 144(k) under the Act, contain a legend in form and substance satisfactory to the Company and its counsel, restricting the transfer of the shares to sales or other dispositions exempt from the requirements of the Act. As further condition to each transfer, at the request of the Company, the Holder shall surrender this Warrant to the Company and the transferee shall receive and accept a Warrant, of like tenor and date, executed by the Company.

7. Adjustment for Certain Events. The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Reclassification or Merger. In case of any reclassification or change of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to the Holder a new Warrant (in form and substance satisfactory to the Holder of this Warrant), or the Company shall make appropriate provision without the issuance of a new Warrant, so that the Holder shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Preferred Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change, merger or sale by a Holder of the number of shares of Preferred Stock then purchasable under this Warrant, or in the case of such a merger or sale in which the consideration paid consists all or in part of assets other than securities of the successor or purchasing corporation, at the option of the Holder, the securities of the successor or purchasing corporation having a value at the time of the transaction equivalent to the value of the Preferred Stock purchasable upon exercise of this Warrant at the time of the transaction. Any new Warrant shall provide for adjustments that shall be as nearly equivalent as may be

practicable to the adjustments provided for in this Section 7. The provisions of this subparagraph (a) shall similarly apply to successive reclassifications, changes, mergers and transfers.

(b) Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Preferred Stock, the Warrant Price shall be proportionately decreased and the number of Shares issuable hereunder shall be proportionately increased in the case of a subdivision and the Warrant Price shall be proportionately increased and the number of Shares issuable hereunder shall be proportionately decreased in the case of a combination.

(c) Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Preferred Stock payable in Preferred Stock, then the Warrant Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of Preferred Stock outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of Preferred Stock outstanding immediately after such dividend or distribution; or (ii) make any other distribution with respect to Preferred Stock (except any distribution specifically provided for in Sections 7(a) and 7(b)), then, in each such case, provision shall be made by the Company such that the Holder of this Warrant shall receive upon exercise of this Warrant a proportionate share of any such dividend or distribution as though it were the Holder of the Preferred Stock (or Common Stock issuable upon conversion thereof) as of the record date fixed for the determination of the shareholders of the Company entitled to receive such dividend or distribution.

8. Notice of Adjustments. Whenever any Warrant Price or the kind or number of securities issuable under this Warrant shall be adjusted pursuant to Section 7 hereof, the Company shall prepare a certificate signed by an officer of the Company setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and number or kind of shares issuable upon exercise of the Warrant after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (by certified or registered mail, return receipt required, postage prepaid) within thirty (30) days of such adjustment to the Holder of this Warrant as set forth in Section 18 hereof.

9. Transferability of Warrant. This Warrant is transferable on the books of the Company at its principal office by the registered Holder hereof upon surrender of this Warrant properly endorsed, subject to compliance with Section 6 and applicable federal and state securities laws. The Company shall issue and deliver to the transferee a new Warrant representing the Warrant so transferred. Upon any partial transfer, the Company will issue and deliver to Holder a new Warrant with respect to the Warrant not so transferred. Holder shall not have any right to transfer any portion of this Warrant to any direct competitor of the Company.

10. Registration Rights. The Company grants registration rights to the Holder of this Warrant for any Common Stock of the Company obtained upon conversion of the Preferred Stock in parity to the registration rights granted to other holders of the Preferred Stock and agrees that the

Holder of this Warrant shall be added as a party to that certain _____ dated as of _____ of the Company (the "Registration Rights Agreement"), and that the Shares shall be made "Registrable Securities" under the Registration Rights Agreement.

11. No Fractional Shares. No fractional share of Preferred Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional share the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

12. Charges, Taxes and Expenses. Issuance of certificates for shares of Preferred Stock upon the exercise of this Warrant shall be made without charge to the Holder for any United States or state of the United States documentary stamp tax or other incidental expense with respect to the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

13. No Shareholder Rights Until Exercise. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof.

14. Registry of Warrant. The Company shall maintain a registry showing the name and address of the registered Holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at such office or agency of the Company, and the Company and Holder shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

15. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft, or destruction, of indemnity reasonably satisfactory to it, and, if mutilated, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant, having terms and conditions substantially identical to this Warrant, in lieu hereof.

16. Miscellaneous.

(a) Issue Date. The provisions of this Warrant shall be construed and shall be given effect in all respect as if it had been issued and delivered by the Company on the date hereof.

(b) Successors. This Warrant shall be binding upon any successors or assigns of the Company.

(c) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Connecticut.

(d) Headings. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

(e) Saturdays, Sundays, Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a

Sunday or shall be a legal holiday in the State of Connecticut, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

(f) Waiver of Jury Trial. Each of the parties hereto hereby waives to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Warrant or the Preferred Shares.

(g) Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney's fees.

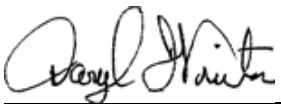
17. No Impairment. The Company will not, by amendment of its Certificate of Incorporation or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder hereof against impairment.

18. Addresses. Any notice required or permitted hereunder shall be in writing and shall be mailed by overnight courier, registered or certified mail, return receipt required, and postage prepaid, or otherwise delivered by hand or by messenger, addressed as set forth below, or at such other address as the Company or the Holder hereof shall have furnished to the other party.

If to the Company:	**Sunesis Pharmaceuticals Incorporated** 341 Oyster Point Blvd. South San Francisco, CA 94080 Attn: Mr. Daniel N. Swisher, Jr.
If to the Holder:	**General Electric Capital Corporation** 83 Wooster Heights Road Danbury, CT 06810
Attn:	Credit Manager-Life Science Finance

IN WITNESS WHEREOF, Sunesis Pharmaceuticals Incorporated has caused this Warrant to be executed by its officers thereunto duly authorized.

Dated as of September 9, 2005.

By: 

Name: DARYL WINTER

Title: SVP & GENERAL COUNSEL

NOTICE OF EXERCISE
TO:

1. The undersigned Warrantholder ("Holder") elects to acquire shares of the Series ____ Preferred Stock (the "Preferred Stock") of _____, (the "Company"), pursuant to the terms of the Stock Purchase Warrant dated ____, 2005, (the "Warrant").

2. The Holder exercises its rights under the Warrant as set forth below:

( ) The Holder elects to purchase _____ shares of Preferred Stock as provided in Section 3(a) and tenders herewith a check in the amount of $_____ as payment of the purchase price.

( ) The Holder elects to convert the purchase rights into shares of Preferred Stock as provided in Section 3(b) of the Warrant.

3. The Holder surrenders the Warrant with this Notice of Exercise.

The Holder represents that it is acquiring the aforesaid shares of Preferred Stock for investment and not with a view to or for resale in connection with distribution and that the Holder has no present intention of distributing or reselling the shares.

Please issue a certificate representing the shares of the Preferred Stock in the name of the Holder or in such other name as is specified below:

Name:
Address:

Taxpayer I.D.:

_____
(Holder)

By: _____
Title: _____
Date: _____

Exhibit 10.49

MASTER SERVICES AGREEMENT

This Master Services Agreement ("Agreement') is entered into as of November 3, 2003 (the "Effective Date") by and between **Sunesis Pharmaceuticals Incorporated**, a Delaware corporation with an office at 341 Oyster Point Boulevard, South San Francisco, California 94080 (hereinafter the "Client") and **AAI Developmental Services Inc**. with an office at 2320 Scientific Park Drive, Wilmington, NC 28405 (hereinafter "AAI"). The Client and AAI are referred to singly as "Party" and jointly as "Parties" throughout this Agreement.

W I T N E S S E T H

WHEREAS, AAI is in the business of providing certain drug product stability, analytical and manufacturing services, preclinical drug development, quality assurance and regulatory consulting, bioanalytical testing, and design and management of clinical trials, including monitoring, data management, biostatistical, and reporting services for the pharmaceutical industry (hereinafter, "Services"); and

WHEREAS, AAI represents that it has the necessary personnel, expertise, facilities and experience to provide such Services to the Client;

WHEREAS, AAI and Client desire to enter into this Agreement to provide the terms and conditions upon which Client may engage AAI, from time to time and agreed to by AAI, to provide services for individual projects in accordance with mutually agreed upon Work Orders (as defined below) specifying the details of the services and the related terms and conditions.

NOW THEREFORE, for and in consideration of the mutual covenants and agreements set forth hereinafter and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

SCOPE OF AGREEMENT AND WORK/CHANGE ORDERS

1.1 This Agreement allows the Parties to contract for multiple projects through the issuance of individual Work Orders (as discussed below) without having to re-negotiate the basic terms and conditions contained herein.

1.2 The specific duties and responsibilities for each project under this Agreement (each a "Project") shall be separately negotiated and specified in writing on terms, and in a format, mutually agreed upon and executed by the Parties (each such writing, a "Work Order"). Each work Order shall include (i) the scope and specification of the Project; (ii) deliverables and timelines; (iii) any performance metrics; and (iv) a budget and payment schedule. Any material change in the details of a Work Order shall require a written amendment to the Work Order, mutually agreed upon and executed by the Parties (a "Change Order").

1.3 Any and all Work Orders or Change Orders issued and executed pursuant to this Agreement will be made part hereof and incorporated herein by reference, and shall be subject to the terms and conditions set forth in this Agreement. Any and all Work Orders or Change Orders shall also be subject to the terms and conditions set forth in the quality requirements agreement to be completed and executed by the parties and attached hereto as Exhibit A (the "Quality Agreement"), unless otherwise expressly set forth In the Work Order or Change Order. The Parties shall use commercially reasonable efforts to finalize and execute the Quality Agreement within thirty (30) days of the Effective Date. To the extent there is any conflict between the provisions of this Agreement, the Quality Agreement and a Work Order and/or Change Order, the terms and conditions of this Agreement shall govern.

1.4 Services provided by AAI shall comply with all applicable Good Laboratory Practices, current Good Manufacturing Practices, Good Clinical Practices, and all other United States governmental and regulatory standards, specifications and guidelines, as specified in the Quality Agreement.

1.5 The Parties understand that AAI shall use commercially reasonable efforts to initiate, conduct and complete the Services as set forth in a Work Order in a timely fashion. The Client understands and agrees that completing the Services as set forth in a Work Order assumes the full cooperation of the Client as well as other third parties.

ARTICLE II

PROJECT IMPLEMENTATION

2.1 Prior to AAI's commencement of Services hereunder, the Parties shall execute one or more Work Orders. The Client's execution of a Work Order will be deemed its authorization for AAI to proceed under the terms and conditions of this Agreement and the Quality Agreement, if applicable.

2.2 AAI shall utilize commercially reasonable efforts to provide the Services as agreed in the Work Order and, if necessary, any associated Change Order.

2.3 The Parties recognize that in certain instances, the Client may wish AAI to commence Services prior to the formal execution of a Work Order authorizing such Services. In such circumstances, the Client may authorize AAI in writing (hereinafter, "Letter of Authorization") to commence specified Services pending execution of the relevant Work Order. The Letter of Authorization shall specify the Services to be performed and a dollar limitation for the performance of such Services.

2.4 AAI shall use commercially reasonable efforts to anticipate the scope of activities necessary to complete Services established by a Work Order. However, Work Orders constitute both Parties' informed estimate of those Services necessary to satisfactorily complete a Project and are based upon the Parties' current knowledge of the factual situation as well as the current regulatory environment. Therefore, the scope of proposed Services may require modification of the Work Order during the course of performance. In the event additional or different Services are required, the Client's authorized representative, as set forth in Article VIII, may in writing authorize AAI to perform additional or different Services. AAI shall promptly acknowledge the Client's written authorization by issuing a Change Order for such additional or different Services.

2.5 AAI will use commercially reasonable efforts to complete the agreed upon Project within the limits set forth in the executed Work Order or Change Order. However, the Parties recognize that the Services to be provided hereunder are not subject to precise advance determination. In the event unforeseen difficulties arise, AAI shall inform the Client, outlining the basis for such conclusion. In such event, the Parties agree to enter into good faith negotiations regarding the terms of the Work Order applicable to the Project.

ARTICLE III

PAYMENT FOR SERVICES RENDERED

3.1 The Client agrees to pay for Services according to a properly authorized Work Order, Change Order, or Letter of Authorization.

3.2 The Client will reimburse AAI for reasonable and customary out-of-pocket expenses including any appropriate handling fees (not including any supplies and services as set forth in Article 3.3 herein) incurred in connection with the performance of the Services set forth in the Work Order provided that AAI obtains the Client's approval prior to incurring such expenditures and that AAI provides the Client with documentation of such approved expenditures, if requested. AAI shall invoice the Client for such expenses at cost.

3.3 Unless otherwise agreed by the Parties in writing in a Work Order or Change Order, AAI shall charge the Client a fifteen percent (15%) handling fee for all supplies, materials or services acquired for or on behalf of the Client to satisfactorily complete the Services as set forth in the Work Order or Change Order.

3.4 AAI shall not engage any third party for any of the Services as set forth in the Work Order or Change Order without the prior written consent of the Client.

3.5 If the Client delays or temporarily halts a Project after such Project has commenced for reasons beyond the reasonable control of AAI, a monthly fee will be assessed to compensate AAI for reasonable and actual time and expenses incurred related to such delay including the storage of Client's samples and materials. AAI shall provide an itemized description of such expenses, and shall invoice the Client for such expenses at cost. The Client will pay the expenses associated with such invoices in accordance with Article 3.6 herein.

3.6 Unless otherwise agreed by the Parties in writing, AAI shall invoice the Client on a calendar month basis for Services rendered as set forth in the Work Order. Invoices are due and payable net thirty (30) days after Client's receipt of invoice. All payments to AAI shall be made in U.S. dollars. Invoice balances not remitted within thirty (30) days of receipt of invoice shall be subject to a one and one-half percent (1.5%) per month interest charge. Should any part of the invoice be in dispute, the Client shall pay any undisputed amount according to the terms and conditions described herein while said dispute is being resolved.

ARTICLE IV

INTELLECTUAL PROPERTY

4.1 Any invention, trade secret or know-how and any materials, documents, programs or information belonging to Client and supplied to AAI by Client pursuant to this Agreement shall remain the property of Client. Any invention, trade secret or know-how and any materials, documents, programs or synthesis information belonging to AAI prior to the date of this Agreement, or developed by AAI independently of this Agreement, i.e. not falling within Article 4.2 below, shall remain the property of AAI.

4.2 Any inventions (whether or not patentable), processes, techniques, improvements, discoveries, trade secrets, know-how and developments discovered and reduced to practice by AAI solely or jointly for the purpose of performing the Services or other work performed under a Project (collectively, Project IP") are hereby assigned to Client (including any patent and all other intellectual property rights therein), and shall be deemed the Confidential Information of Client for purposes of Article V below ("Project IP"). AAI will, at the expense and the written request of the Client, do all reasonable acts and things and execute all documents as the Client may reasonably request to transfer to and vest in the Client the ownership and registration of all intellectual property rights that may exist in such Project IP.

4.3 With respect to Project IP, AAI will not, to its actual knowledge, incorporate or use therein any invention, discovery, process, technology or information that (a) is covered in whole or in part by a claim of any patent application or issued patent that is owned or controlled by AAI, but not assigned to Client pursuant to Article IV ("AAI Background Patent Rights"), (b) is covered in whole or in part by a claim of any patent or patent application of a third party, or c) incorporates any AAI

processes, inventions, techniques, know-how, or trade secrets that is owned or controlled by AAI, but not assigned to Client pursuant to Article IV ("AAI Background Know-How"). In the event any Project IP incorporates or requires the use of AAI Background Patent Rights or AAI Background Know-How (collectively, "AAI Proprietary Technology"), AAI shall notify Client thereof and the Parties shall negotiate in good faith the terms of an appropriate license agreement for such AAI Proprietary Technology, with such license agreement memorialized in a separate writing.

4.4 The Client acknowledges that AAI is in the business of providing Services for a variety of organizations other than the Client. Accordingly, nothing in this Agreement shall preclude or limit AAI from providing Services or developing materials for itself or other clients, or from utilizing the general knowledge gained during the course of its performance hereunder to perform similar Services for other clients, provided that such provision of Services or development of materials do not constitute a breach of confidentiality under Article V herein.

ARTICLE V

CONFIDENTIALITY

5.1 During the performance of Services and the Term of this Agreement, AAI may receive from Client confidential or proprietary information, including information concerning Client's regulatory submissions, data, testing and research techniques, inventions, materials, processes, practices, trade secrets and like information (collectively "Confidential Information"). Client agrees that it will only provide such Confidential Information to the extent that it is required by AAI to perform Services. For the avoidance of doubt, the following shall in all cases be treated as Confidential Information hereunder: (i) all samples of chemical compounds and data related thereto, (ii) all Confidential Information provided under the parties' prior Non-Disclosure Agreement dated September 9, 2003, and (iii) all of the data and Project IP which were developed or generated by AAI for the Client, or any methodologies, technology, or assays developed by AAI for the Client. Notwithstanding the foregoing, the obligations of this Article V shall not apply in the case of:

(i) information of the Client which is now in the public domain or which subsequently enters the public domain without fault on the part of AAI; or

(ii) information of the Client which is presently known by AAI from its own sources where said present knowledge can be demonstrated by written records; or

(iii) information of the Client which AAI receives in good faith from a third party where said third party is independent of the Client and is under no obligation of confidentiality with respect to such information; or

(iv) information developed by or for AAI independent of the Projects and without the use of any Confidential Information of Client, as evidenced by AAI's written records; or

(v) information disclosed by AAI as required by law pursuant to an appropriate legal order by a court or government agency having the authority to compel such disclosure; however, in such case, AAI shall notify the Client of such order compelling disclosure, and where possible, reasonably cooperate with the Client to provide it with the opportunity to take appropriate legal action to safeguard said information.

5.2 AAI agrees that without the express written consent of Client, it will not itself use, or provide to, disclose to, or permit any third party to use said Confidential Information. AAI agrees to take reasonable and appropriate measures to safeguard Confidential Information from theft, loss or negligent disclosure to others and to limit access internally to Confidential Information to those of its employees, consultants, agents or subcontractors who reasonably require such access in order to accomplish performance of the Services. AAI has had or will have all employees, consultants, agents or subcontractors of AAI who have access to Confidential Information sign a

confidentiality agreement with provisions no less protective of Confidential Information than this Article V prior to having access to Confidential Information or undertaking the Services. Unless otherwise consented to by Client in writing or provided for in a Work Order, AAI agrees not to analyze for chemical composition any samples or materials provided by Client, nor to allow or cause any such samples or materials to be released to third-parties for analysis. AAI shall not use, or disclose to Client, hereunder any information it knows to be Confidential Information of a third party except as approved in advance in writing by Client. AAI agrees to notify Client promptly of the date of, and the circumstances involved in, the loss or unauthorized disclosure of any Confidential Information of Client.

5.3 Upon expiration or termination of this Agreement or completion or termination of any Work Order and/or any Change Order and at the written direction of the Client, AAI will promptly return all Client Confidential Information, including any documents prepared by AAI that contain such information. AAI may retain a single archival copy of the Confidential Information for the sole purpose of determining the scope of obligations incurred under this Agreement. The obligations of this Article V shall commence on the Effective Date and survive for a period of five (5) years from the expiration or termination of this Agreement.

5.4 The Parties agree that they shall not use the other Party's name, or disclose any matters relating to the Services provided hereunder in any advertising, promotion, written articles or communications without the prior written consent of the other Party.

ARTICLE VI

REPRESENTATION AND INDEMNIFICATION

6.1 EXCEPT AS SET FORTH HEREIN, AAI EXPRESSLY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE (REGARDLESS OF WHETHER OR NOT AAI KNOWS OR HAS REASON TO KNOW OF SUCH PURPOSE) AND ANY WARRANTIES OF TITLE OR NON INFRINGEMENT. EXCEPT WITH RESPECT TO BREACH OF ARTICLE V, AND EXCEPT TO THE EXTENT A PARTY MAY BE OBLIGATED TO INDEMNIFY THE OTHER PARTY UNDER THIS ARTICLE VI, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY CONSEQUENTIAL, SPECIAL, EXEMPLARY INCIDENTAL OR OTHER INDIRECT DAMAGES OR LOST PROFITS IN ANY WAY ASSOCIATED WITH THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION.

6.2 Subject to Article 6.4 below, the Client shall indemnify and hold harmless AAI, its agents, employees, directors and affiliates from any loss, expense and liability, including reasonable attorney's fees arising from any claim suit or proceeding to the extent resulting from Client's use of (i) products and services using the Project IP, or (ii) other materials or processes supplied or disclosed to Client in the course of this Agreement, except to the extent the claim, suit or proceeding is subject to AAI's indemnification obligations in Article 6.3 below.

6.3 Subject to Article 6.4 below, AAI shall indemnify and hold harmless the Client, its agents, employees and affiliates from any loss, expense and liability, including reasonable attorney fees, incurred as a result of AAI's negligence or willful misconduct in connection with the performance of this Agreement.

6.4 A party that intends to claim indemnification (the "Indemnitee") under Article 6.2 or Article 6.3 shall promptly notify the other party (the "lndemnitor") in writing of any claim, complaint, suit, proceeding or cause of action with respect to which the Indemnitee intends to claim such indemnification (for purposes of this Article 6.4, each a Claim"), and the Indemnitor shall have sole control of the defense and/or settlement thereof; provided that the Indemnitee shall have the right to participate, at its own expense, with counsel of its own choosing in the defense and/or settlement of such Claim. The Indemnitor shall not settle any Claim without the consent of the

Indemnitee, which consent shall not be unreasonably withheld or delayed. The Indemnitee, and its employees, at the Indemnitor's request and expense, shall provide full information and reasonable assistance to Indemnitor and its legal representatives with respect to such Claims covered by this indemnification.

6.5 Each Party shall be responsible for the safety of its own employees and agents with respect to the handling or use of materials involved in the performance of this Agreement and any Work Orders or Change Orders hereunder.

6.6 AAI shall perform the Services hereunder as an independent contractor, and nothing contained in this Agreement or otherwise shall be deemed to create any other relationship, including employment, partnership, agency or joint venture, between the Parties. The Parties acknowledge that Services performed are solely within the control of AAI and the provisions of this Agreement shall not be construed as authorizing the Client to exercise any control or direction over the employees or agents of AAI in connection with this Agreement. Neither Party to this Agreement shall have any authority to employ any person as agent or employee for or on behalf of the other, or to bind, or attempt to bind, the other to any obligation with any third party.

ARTICLE VII

TERM AND TERMINATION

7.1 Unless sooner terminated in a manner herein provided, this Agreement shall continue for a period of three (3) years from the Effective Date (hereinafter the "Term"). The Parties may extend this Agreement by written mutual agreement at least sixty (60) days prior to the expiration of the Term.

7.2 This Agreement, the Quality Agreement and any corresponding Work Order or Change Order then in effect may be terminated by (i) either Party upon written notice for cause in the event of a failure by the other Party to substantially perform any material obligation that through no fault of the Party initiating the termination, remains uncured thirty (30) days after receipt of such prior written notice; (ii) Client upon thirty (30) days written notice to AAI; or (iii) either Party upon written notice in the event that the other Party ceases to function as a going concern or to conduct its operations in the normal course of business, or a receiver for such other Party is appointed, or a petition under any law for the relief of bankruptcy is filed by or against such other Party, or such other Party makes an assignment for the benefit of creditors.

7.3 In the event of a termination of this Agreement pursuant to Article 7.2, with the exception of material breach by AAI, the Client shall be obligated to pay to AAI the cost of all Services completed, as set forth in the relevant Work Order(s) and/or Change Order(s) currently in effect at the time of termination, in accordance with the terms and conditions as set forth in this Agreement. Client shall be obligated to pay for all unused supplies and materials that were ordered by AAI in order to perform the Services. AAI shall use commercially reasonable efforts to minimize the costs associated with the cessation of such Work Order or Change Order.

7.4 Client may terminate any Work Order or Change Order without terminating this Agreement by providing AAI written notice. In the event of a termination of a Work Order or Change Order, AAI shall receive full payment for all Services actually performed through the effective date of termination, including any appropriate delay or cancellation fees as may be set forth in the Work Order. In accordance with the Client's written instructions, AAI shall use commercially reasonable efforts to transfer the results of such Work Order or Change Order to the Client or its agent. The Client shall pay all reasonable costs incurred by AAI that are necessary or reasonably required in connection with the orderly cessation of such Work Order or Change Order. In no event shall the total amount calculated pursuant to this Article 7.4 exceed the total amount of payments set forth in the budget for such Work Order and/or Change Order. Within thirty (30) days after the termination date of any Work Order and/or Change Order, AAI shall refund to Client any amounts paid by Client to AAI in excess of the calculated amount described herein.

7.5 Upon expiration or termination of the Agreement or any Work Order or Change Order, AAI will comply with the provisions of Article 5.3 herein regarding the disposition of Confidential Information.

ARTICLE VIII

CORRESPONDENCE AND NOTICE

8.1 Until advised in writing to the contrary by either Party, all communications and notices related to this Agreement shall be effective upon receipt and shall be addressed to:

CLIENT: Sunesis Pharmaceuticals Incorporated
341 Oyster Point Boulevard
San Francisco, California 94080
(Attention: Office of General Counsel)
Fax: 650-266-3506

AAI: AAI Development Services Inc.
2320 Scientific Park Drive
Wilmington, North Carolina 28405
(Attention: EVP of Business Development)
Fax: 910-815-2300

With a copy to:

aaiPharma Inc.
2320 Scientific Park Drive
Wilmington, North Carolina 28405
(Attention: Office of General Counsel)
Fax: 910 815-6067

8.2 All communications and notices related to a Work Order or Change Order shall be addressed to the appropriate individual for each Party as set forth in such Work Order or Change Order.

ARTICLE IX

RECORDS AND AUDITS

9.1 AAI agrees to maintain records of all Services performed under this Agreement in accordance with the United States Food and Drug Administration's ("FDA") archival guidelines. The Client may review the records of AAI relating to the Services performed and expenses incurred to assure compliance with all provisions of this Agreement, provided that such inspection may take place (i) only upon reasonable prior written notice and during regular business hours, and (ii) at the Client's sole cost and expense. The Client shall be invoiced for any reasonable and actual incidental expenses AAI incurs resulting from any such review, to the extent such review exceeds two (2) business days each calendar year.

9.2 Upon reasonable prior written notice (not less than fifteen (15) business days) and during regular business hours the Client may, at its own cost and expense, review AAI's quality control procedures and records, with a representative of AAI present. The Client shall be invoiced for

any reasonable and actual incidental expenses AAI incurs resulting from such review, to the extent such review exceeds one (1) review each calendar year.

9.3 In the event of an inspection by any governmental or regulatory authority concerning the Services performed hereunder, AAI shall notify the Client promptly upon learning of such an inspection, shall supply the Client with copies of any correspondence or portions or correspondence relating to the Services and shall inform the Client of the general findings and outcomes of such inspections. The Client shall be invoiced for any reasonable and actual incidental expenses AAI incurs resulting from such review.

ARTICLE X

MISCELLANEOUS

10.1 Certification - AAI certifies that it is not debarred under the United States Food, Drug and Cosmetic Act, (21 U.S.C. 301 et seq.) and that it has not and will not use in any capacity the services of any person debarred under such law with respect to Services to be performed under this Agreement.

10.2 Insurance - During the Term of this Agreement, the Parties shall secure and maintain in full force and effect appropriate insurance coverage for its responsibilities in connection with this Agreement. Upon written request by either Party, the other Party shall provide proper evidence showing that such insurance is in force.

10.3 Waiver - The failure of either Party hereto at any time or times to require performance of any provision of this Agreement shall in no manner affect the right of such Party at a later time to enforce the same. No waiver by any Party hereto of any condition, or of the breach of any provision, term, covenant, representation, or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

10.4 Parol Evidence - This Agreement contains the entire Agreement between the Parties with respect to the subject matter thereof as of the Effective Date and supersedes all prior agreements, negotiations, representations and proposals, written and oral, relating to its subject matter, except that Work Orders and/or Change Orders and other similar service authorizations which have been properly executed prior to the Effective Date shall remain in full force and effect, and shall be construed, where possible, in accordance with the terms and conditions herein.

10.5 Severability - If a court or other tribunal of competent jurisdiction holds any term or provision, or portion thereof, of this Agreement to be invalid, void or unenforceable, the remaining provisions of the Agreement shall remain in full force and effect. It is the Parties' intention that if a court or other tribunal holds any term or provision of this Agreement to be excessive in scope, such term or provision shall be adjusted rather than voided, if possible.

10.6 Modification - This Agreement may not be amended or modified except by written instrument signed by an authorized representative of the Parties.

10.7 Cooperation - Each Party will execute and deliver all such instruments and perform all such other acts as the other Party may reasonably request to carry out the transactions contemplated by this Agreement.

10.8 Force Majeure - Neither Party shall be in default hereunder by reason of its delay in the performance of or failure to perform any of its obligations hereunder if such delay or failure is caused by strikes, acts of God or the public enemy, terrorism or threats of terrorism, riots,

incendiaries, weather, interference by civil or military authorities, acts or failures to act by any government or government agency, delays in transit or delivery, or any other fault beyond its reasonable control and without its fault or negligence. Upon the occurrence of any event of force majeure, the party whose performance is thereby threatened shall promptly notify the other party and take reasonable steps to mitigate such delay or failure to perform.

10.9 Binding Effect - Subject to the restrictions on transfers, assignments and encumbrances set forth herein, this Agreement shall inure to the benefit of and be binding upon the undersigned Parties and their respective legal successors.

10.10 Headings - All headings herein are for convenience only and shall not be construed as a limitation of the scope of the particular sections to which they refer.

10.11 Assignment - Neither Party shall assign its rights under this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld, and any attempt to assign without such consent shall be void and of no effect. Notwithstanding the foregoing, either Party shall have the right to assign this Agreement, the Quality Agreement and all outstanding Work Orders and Change Orders hereunder in connection with the transfer or sale of all or substantially all of its business or assets related to this Agreement, or in the event of its merger, reorganization, consolidation, change in control or similar transaction.

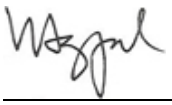
10.12 Non-Solicitation - Each Party agrees not to solicit an employee of the other party who has performed any work in connection with this Agreement, provided that newspaper, internet or other advertisements to fill job openings shall not be deemed to be a "solicitation" hereunder. This provision shall remain in effect during the term of this Agreement and for one (1) year thereafter. Any exceptions to this provision must be in writing and signed by an authorized representative of each Party.

10.13 Surviving Provisions - The Parties agree that the following provisions will survive the expiration or termination of this Agreement; the definitions contained herein to the extent such definitions pertain to terms in surviving provisions, Articles IV, V, VI and VIII in their entirety, and Articles 3.6 (with respect to Services performed prior to such expiration or termination), 9.3, 10.12, 10.13 and 10.14.

10.14 Governing Law - This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to any conflicts of laws provisions.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

AAI DEVELOPMENT SERVICES INC.

By: 

Name: Vijay Aggarwal

Title: President

SUNESIS PHARMACEUTICALS, INCORPORATED

By: 

Name: Daryl B. Winter, Ph.D.

Title: Senior Vice President & General Counsel

Date: 11/3/03

Date: 11/7/03

EXHIBIT A
Quality Agreement

Exhibit 10.50

FIRST AMENDMENT
TO THE MASTER SERVICES AGREEMENT

THIS FIRST AMENDMENT ("Amendment"), effective September 11, 2006 (the "Amendment Effective Date") is to the existing Master Services Agreement between **AAIPharma Inc.** (formerly AAI Development Services Inc., a division of AAIPharma Inc.) (hereinafter "AAIPharma") and **Sunesis Pharmaceuticals, Inc.** (hereinafter the "Client") dated November 3, 2003 (the "Agreement"). All capitalized terms herein shall have the same meaning as set forth in the Agreement.

WHEREAS, AAIPharma and Client desire to modify the existing Agreement to provide the terms and conditions upon which Client may continue to engage AAIPharma, from time to time and agreed to by AAIPharma, to provide services for individual projects being conducted by SUNESIS.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, AAIPharma and Client hereby agree to the terms and conditions set forth below.

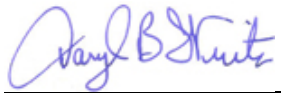
1. Section 7.1 of the Agreement shall be deleted and replaced in its entirety with the following:

   "Unless sooner terminated in a manner herein provided, this Agreement shall continue for a period of six (6) years from the Effective Date (hereinafter the "Term"). The Parties may extend this Agreement by written mutual agreement at least sixty (60) days prior to the expiration of the Term".

Except as otherwise stated in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the Amendment Effective Date.

Sunesis Pharmaceuticals, Inc.
341 Oyster Point Boulevard
South San Francisco, CA 94080

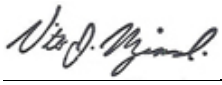
By: 

Print Name: Darly B. Winter, Ph. D.

Title: Sr. Vice president, General Counsel

Date Signed: 10/2/06

AAIPharma Inc.
2320 Scientific Park Drive
Wilmington, NC 28405

By: 

Print Name: Vito J. Mangiardi

Title: President, Operations North America

Date Signed: 10-18-2006

Exhibit 10.51

SECOND AMENDMENT
TO THE MASTER SERVICES AGREEMENT

THIS SECOND AMENDMENT ("Amendment"), effective May 2, 2008 (the "Amendment Effective Date") is to the existing Master Services Agreement between **AAIPharma Inc.** (formerly AAI Development Services Inc., a division of AAIPharma Inc.) (hereinafter "AAIPharma") and **Sunesis Pharmaceuticals, Inc.** (hereinafter the "Client") dated November 3, 2003 and amended September 11, 2006 (the "Agreement"). All capitalized terms herein shall have the same meaning as set forth in the Agreement.

WHEREAS, AAIPharma and Client desire to modify the existing Agreement to provide the terms and conditions upon which Client may continue to engage AAIPharma, from time to time and agreed to by AAIPharma, to provide services for individual projects being conducted by SUNESIS.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, AAIPharma and Client hereby agree to the terms and conditions set forth below.

1. A new Section 5.5 of the Agreement shall be added to read as follows:

"5.5 During the Term of this Agreement, Client may receive confidential and proprietary information belonging to AAIPharma ("AAIPharma Confidential Information"). Client agrees not to use, or provide to, disclose to, or permit any third party to use AAIPharma Confidential information, except that Client may provide or disclose AAIPharma Confidential Information to (i) Client's employees or consultants who reasonably require such information for the conduct and evaluation of each Project pursuant to this Agreement, and (ii) comply with the obligations in the case of the exceptions set forth in subparagraphs (i) through (v) of Section 5.1 herein. As used herein, AAIPharma Confidential Information means any written, electronic, graphic or oral information furnished or disclosed by AAIPharma to Client (or observed by Client as the result of a site visit or audit) relating to AAIPharma's business, including without limitation, information on its pricing, trade secrets, know-how, inventions (whether or not patentable), and any analytical, bioanalytical, formulations, and manufacturing data, methods, processes, and techniques; provided, that such data, methods, processes or techniques do not fall within Section 4.2 of this Agreement."

Except as otherwise stated in this Amendment, all other terms and conditions of the Agreement and any amendments thereto shall remain in full force and effect.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the Amendment Effective Date.

Sunesis Pharmaceuticals, Inc.
341 Oyster Point Boulevard
South San Francisco, CA 94080

By: _____

Print Name: Eric Bjerkholt

Title: Sr. VP & CFO

Date Signed: 5/13/08

AAIPharma Inc.
2320 Scientific Park Drive
Wilmington, NC 28405

By: _____

Print Name: Ludo J. Reynders

Title: President and CEO

Date Signed: May 6, 2008

Exhibit 10.52

THIRD AMENDMENT
TO THE MASTER SERVICES AGREEMENT

THIS THIRD AMENDMENT ("Third Amendment"), effective as of November 3, 2009 (the "Amendment Effective Date") is to the existing Master Services Agreement between **AAIPharma Services Corp.** (assignee of AAIPharma Inc. and hereinafter referred to as "AAIPharma") and **Sunesis Pharmaceuticals, Inc.** (hereinafter the "Client") dated November 3, 2003 (the "Agreement"), as amended September 11, 2006 and May 2, 2008 (respectively, the "First Amendment" and "Second Amendment"). All capitalized terms herein shall have the same meaning as set forth in the Agreement.

WHEREAS, AAIPharma and Client desire to modify the existing Agreement to provide the terms and conditions upon which Client may continue to engage AAIPharma, from time to time and agreed to by AAIPharma, to provide services for individual projects being conducted by Client.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Third Amendment, AAIPharma and Client hereby agree to the terms and conditions set forth below.

1. Section 7.1 of the Agreement, as amended under the First Amendment, shall he deleted and replaced in its entirety with the following:

   "Unless sooner terminated in a manner herein provided, this Agreement shall continue until December 31, 2012 (hereinafter the "Term"). The Parties may extend or modify this Agreement by written mutual agreement at least sixty (60) days prior to the expiration of the Term".

2. AAIPharma's contact information in Section 8.1 of the Agreement shall be deleted and replaced in its entirety with the following:

   "AAI: AAIPharma Services Corp.
   2320 Scientific Park Drive
   Wilmington, North Carolina 28405
   Attention: Legal Department
   Fax: 910-815-2340"

Except as otherwise stated in this Third Amendment, all other terms and conditions of the Agreement and the Second Amendment shall remain in full force and effect.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Third Amendment to be executed as of the Amendment Effective Date set forth above.

Sunesis Pharmaceuticals, Inc.
395 Oyster Point Boulevard, Suite 400
South San Francisco, CA 94080

By: _____
Print Name: Eric Bjerkholt
Title: Sr. VP & CFO
Date Signed: 12-8-09

AAIPharma Services Corp.
2320 Scientific Park Drive
Wilmington, NC 28405

By: _____
Print Name: L. Lee Karras
Title: Chief Executive Officer
Date Signed: 12.3.09

AAIPharma LEGAL APPROVED

#2009-1007.3 Third Amendment to Master Services Agreement
AAIPharma / Sunesis

Exhibit 10.53

MASTER SERVICES AGREEMENT

This Master Services Agreement ("Agreement") is made and entered into as of January 1, 2010 (the "Effective Date"), by and between Albany Molecular Research, Inc., having its principal place of business at 26 Corporate Circle, Albany, New York 12203 (together with its subsidiaries hereinafter collectively referred to as "AMRI") and Sunesis Pharmaceuticals, Inc., having its principal place of business at 395 Oyster Point Boulevard, Suite 400, South San Francisco, California 94080 (hereinafter "SUNESIS"). AMRI and SUNESIS are referred to individually as a "Party" and together as the "Parties" throughout this Agreement.

WHEREAS, SUNESIS is engaged in the discovery and development of pharmaceutical products;

WHEREAS, AMRI is engaged in the business of providing synthetic and natural product chemical research and analysis, bio-assay development and screening, chemistry and bioscience consulting, medicinal chemical synthesis, computational chemistry services, parallel synthesis, manufacturing of specialty chemical products, process development, synthesis of compounds in accordance with current Good Manufacturing Practices ("cGMP"), analytical method development, validation, and release testing, stability studies, and related services, (the "Services");

WHEREAS, AMRI has the technology and capacity to perform the Services indicated in an applicable Work Order (as discussed below) pursuant to this Agreement;

WHEREAS, SUNESIS proposes to retain AMRI, from time to time, for the specific purpose of providing certain Services for individual projects in accordance with an applicable Work Order pursuant to this Agreement.

NOW, THEREFORE, for the mutual promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. AMRI Services.

Subject to the terms and conditions of (i) this Agreement, (ii) work orders (a statement of the actual work to be provided) as agreed upon in writing from time to time by the Parties pursuant to this Agreement (each a "Work Order" and collectively "Work Orders"), and (iii) the quality requirements agreement attached hereto as Exhibit A (the "Quality Agreement"), AMRI agrees to provide SUNESIS with the Services as further described generally below and specifically in the Quality Agreement (when applicable) and the Work Orders. All such Work Orders will specify the work to be undertaken (the "Project(s)"), the conditions and timing under which the Project(s) is to be completed, and the amount of and payment terms for AMRI compensation. Each Work Order shall be dated, numbered, reference this Agreement, and shall be signed by an authorized representative of each Party.

Services may include, but are not limited, to the following:

a. Product Development Assistance: AMRI shall be available to SUNESIS to advise on the design and synthesis of organic compounds and to complete the manufacture of such organic compounds.

b. Technical Assistance: AMRI shall be available to SUNESIS to perform synthetic chemical research, medicinal chemistry, process development and process optimization studies.

c. Technical Consultations: AMRI shall be available to SUNESIS at such times as are requested by SUNESIS for technical consultations with SUNESIS personnel via telephone. Additionally, AMRI shall be available for consultation at a mutually agreed upon site, provided that the extent of this activity shall be determined by mutual agreement of AMRI and SUNESIS. SUNESIS shall reimburse AMRI for all reasonable and necessary travel expenses as requested by SUNESIS.

AMRI will endeavor with all commercially reasonable efforts to conform to its obligations identified herein. Although no anticipated delays or limits in performing any Services are expected, if such delays or limits are encountered, AMRI shall promptly notify SUNESIS. The Parties acknowledge that circumstances beyond the control of AMRI may affect the projected completion date of any Project(s) hereunder. Such circumstances include, but are not limited to, changes to the process necessitated to meet the required specifications and other issues not reasonably foreseeable at the time of execution of the Work Order for the applicable Project(s). SUNESIS agrees to accommodate any reasonable change in timetables as a result of such delays, provided the Services have been proceeding to SUNESIS's reasonable satisfaction.

Should any of the terms of any Work Order conflict with the general terms and conditions of this Agreement, the terms and conditions of this Agreement shall govern, unless otherwise explicitly stated in the Work Order. In the event any provision contained in this Agreement conflicts with any part of a purchase order provided by either Party for Services under this Agreement, the provision set forth in this Agreement shall take precedence and the other Party specifically rejects any additional terms and/or conditions contained in any such purchase order.

2. Specific Obligations of AMRI.

In assuming responsibility for undertaking this Agreement and in addition to the obligations set forth in the Work Orders or as outlined in the Quality Agreement, or any attachment thereto, AMRI will:

a. Provide Services and/or compounds as expeditiously as possible.

b. Provide to SUNESIS Certificates of Analysis to include, as appropriate, among such parameters as elemental analysis, optical rotation, HPLC analysis, MS, TGA, moisture content by Karl Fischer titration, and NMR spectra on any compounds provided.

c. As appropriate for the Project(s) and/or corresponding Work Order, comply with all current governmental regulatory requirements and perform experiments using standard and accepted cGMPs as specified in the Code of Federal Regulations Title 21, Sections 210 and 211 and as further defined for active pharmaceutical ingredients ("API") in the International Conference on Harmonization ("ICH") guide Q7 ICH Good Manufacturing Practice Guide for as applied to the manufacture, testing, and quality control of APIs, techniques and record keeping procedures, and in each case as amended from time to time, as appropriate to the Services outlined in a Work Order.

d. Interact with SUNESIS scientists as is deemed appropriate in the conduct of a fully integrated drug discovery and development Project team effort.

e. Interact with and communicate with SUNESIS, to its satisfaction, and all reasonable requests, regarding any Services.

f. Provide written research reports to SUNESIS describing the full experimental procedures and results (hereinafter, "Research Reports"), due within a mutually agreed upon timeframe after the conclusion or termination of the Project in accordance with the procedures and timelines in the applicable Work Order. The Research Reports shall include but not be limited to the full experimental procedures, analyses and the Certificate of Analysis describing the work accomplished under the Project and any other deliverables specified in the applicable Work Order. Each Research Report shall contain sufficient detail so that SUNESIS can understand and fully implement and exploit on its own the information described therein and any Developed IP (as defined in Section 7) resulting from the Services. Upon request by SUNESIS, from time to time, AMRI shall provide reasonable assistance at SUNESIS's expense to SUNESIS in SUNESIS's efforts to understand and implement the same.

g. Retain experimental records, laboratory notebooks or laboratory notebook pages containing experimental descriptions and data generated from the Project(s) hereunder for a period of not less than seven (7) years from the completion of each such Project. After this time and upon written request by SUNESIS and SUNESIS's expense AMRI shall provide to SUNESIS, for non-GMP Project(s), copies of all experimental records, laboratory notebooks, laboratory notebook pages or other documentation, as mutually agreed upon in writing by the Parties, containing information from the Services for retention in SUNESIS's archives. For cGMP projects AMRI shall provide SUNESIS, upon SUNESIS's written request and at SUNESIS's expense, copies of executed Batch Records, deviation

reports, investigation report and analytical testing results of APIs or other documentation as mutually agreed upon in writing by the Parties.

3. Specific Obligations of SUNESIS.

In assuming responsibility for undertaking this Agreement and in addition to the obligations set forth in the Work Orders or outlined in the Quality Agreement, or any attachment thereto, SUNESIS shall:

a. Provide to AMRI any SUNESIS materials described in the applicable Work Order (the "Sample(s)") for purposes of performing the Services.

b. Provide intermediates to AMRI as set forth in the applicable Work Order in order for AMRI to conduct and complete the Services.

c. Provide written commentary on Research Reports.

d. Pay AMRI for the Services performed by AMRI as set forth in the corresponding Work Order.

e. Provide AMRI access to or quantities of Project-specific chemicals, materials, tools and equipment required to conduct Services solely for SUNESIS as set forth in the applicable Work Order.

4. Confidential Information; Use of Name.

a. "Confidential Information" shall mean electronic, graphic or oral information disclosed or furnished by one Party (the "Disclosing Party") to the other Party (the "Receiving Party") and indicated as being or which reasonably appears to be or is marked to be confidential, or observed by Receiving Party as the result of a site visit or audit, which

i. in the case of SUNESIS shall consist of information pertaining to its trade secrets, know-how, inventions (whether or not patentable), regulatory submissions, the Sample(s), chemical synthesis or process data, proprietary chemicals, Research Reports, preclinical and clinical data and program results, or any other information or data acquired or generated by AMRI as a result of this Agreement or from performance of the Services rendered hereunder and

ii. in the case of AMRI shall consist of information pertaining to its trade secrets, know-how, inventions (whether or not patentable), and any analytical, bioanalytical, formulations and manufacturing data, methods, processes, and techniques, provided, that such data methods, processes or techniques do not fall within Section 7 of this Agreement.

Receiving Party agrees that (A) it will not, and will not permit any of its employees, consultants or representatives to, use the Disclosing Party's Confidential Information other than for the purposes permitted under this Agreement, (B) it will not, and will not permit any of its employees, consultants or representatives to disclose any of said Confidential Information to a third party except as permitted by this Agreement, and (C) it will not, and will not permit any of its employees, consultants or representatives to publish or submit for publication said Confidential Information without Disclosing Party's prior written approval.

b. The Receiving Party's obligations with regard to Confidential Information which is a Trade Secret (as defined herein) shall continue in perpetuity from the date of this Agreement, and with regard to Confidential Information which is not a Trade Secret shall continue for a period of five (5) years from the termination or expiration of this Agreement. For purposes of this Agreement, "Trade Secret" shall mean information, including but not limited to, technical or non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, or process, which:

   i. derives economic value, actual or potential, from not being generally known and not being readily ascertainable by proper means to other persons who can obtain economic value from its disclosure or use; and

   ii. is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality.

For the avoidance of doubt, any information pertaining to the Samples), and any chemical synthesis or process data, proprietary chemicals. Research Reports, preclinical and clinical data and program results, or any other information or data acquired or generated by AMRI as a result of this Agreement or from performance of the Services hereunder shall be considered a "Trade Secret" of SUNESIS for purposes of this Agreement.

c. Notwithstanding the foregoing, the obligations of Section 4 shall not apply to Confidential Information:

   i. which is now or later becomes generally available to the public through no fault of Receiving Party;

   ii. which is already known to Receiving Party (without confidentiality restrictions) at the time of disclosure, as demonstrated by Receiving Party's files in existence at the time of such disclosure;

   iii. which is lawfully acquired by Receiving Party (without restrictions) from third parties who have a right to disclose the information;

iv. which is developed by or for Receiving Party independently of the Projects hereunder and without use of any Confidential Information of the Disclosing Party, as evidenced by Receiving Party's written records created at the time of such independent development; or

v. which by mutual written agreement of the Parties is released from confidential status.

d. Section 4c above shall not restrict Receiving Party from disclosing Confidential Information that is legally required to be disclosed pursuant to an order or requirement of a court, governmental agency or by law; provided, however, Receiving Party shall provide prompt notice of such court order or requirement to Disclosing Party to enable Disclosing Party the opportunity to seek a protective order or otherwise prevent or restrict such disclosure of its Confidential Information.

e. All of the Confidential Information belonging to the Disclosing Party shall remain the sole property of the Disclosing Party. Upon the written request of Disclosing Party, all tangible Confidential Information, including all copies thereof, shall be promptly delivered to Disclosing Party, except that the Receiving Party may retain one (1) copy of the Confidential Information to ensure compliance hereunder.

f. Neither Party shall use the name of the other Party or any of its employees, agents or Affiliates (as defined herein) or subsidiaries without the written consent of the other Party, such consent shall not be unreasonably delayed or withheld. For the purposes of this Agreement the term "Affiliate" shall mean: any corporation, partnership, joint venture or other business arrangement which is controlled by, controlling or under common control with such Party and shall include without limitation any direct or indirect beneficial ownership of fifty percent (50%) or more of the voting stock or participating profit interest of such corporation or other business entity. Further, neither Party shall use the trade name, trademark, product reference or other designation of the other Party in connection with any product, service, promotion or advertising without the express prior written consent of the other Party. Neither Party shall disclose to any third party or to the public generally (i) the terms or the existence of this Agreement or (ii) the relationship between SUNESIS and AMRI established hereunder without the prior written consent of the other Party, provided that either Party may, without the other Party's prior consent, disclose such information (A) to potential or actual investors, financial institutions or advisors, legal counsel, or accountants, (B) as required by law, order or regulation of a governmental agency or a court of competent jurisdiction, or (C) to any governmental agency in connection with filings with the Securities and Exchange Commission (SEC) or for purposes of filing patent applications, or obtaining approval to test or market a product or service.

g. Each Party agrees and acknowledges:

i. that the obligations set forth in Section 4 are necessary and reasonable in order to protect the Disclosing Party and its business; and

ii. that due to the nature of the Disclosing Party's Confidential Information, monetary damages may be inadequate to compensate the Disclosing Party for any breach by the Receiving Party of the obligations set forth in Section 4; and

iii. that any such breach may cause irreparable injury to the Disclosing Party, and that, in addition to the procedures outlined in Section 18b below and any other remedies that may be available in law, equity or otherwise, the Disclosing Party shall be entitled to immediately seek injunctive relief against the breach or the continuation of such breach by the Receiving Party.

5. Term and Termination.

a. This Agreement shall commence on the Effective Date set forth above and shall terminate the later of (i) three (3) years, from the Effective Date or (ii) six (6) months after the completion of the last Work Order executed by the Parties prior to the third anniversary of the Effective Date, unless earlier terminated by either Party hereto. Extension of this Agreement shall be subject to future written Agreement between the Parties.

b. The representations and warranties contained in this Agreement (including the recitals hereto), as well as those rights and/or obligations contained in the terms of this Agreement which by their intent or meaning have validity beyond the term hereof, including without limitations Sections 4, 5.b, 6, 7, 10, 11, 12, 15, 16.a, 18 and 19 hereof, shall survive the expiration or termination of this Agreement.

c. This Agreement may be terminated prior to the expiration of the term only under the following conditions:

i. BY SUNESIS, if AMRI materially breaches any of the covenants and agreements under this Agreement, upon written notice to AMRI and AMRI fails to cure such breach within thirty (30) days after written notice of such breach to AMRI.

ii. BY SUNESIS, if AMRI is substantially unable to perform assigned duties hereunder whether due to sickness, disability or incapacity or any other reason upon thirty (30) days written notice to AMRI.

iii. BY AMRI, if SUNESIS materially breaches any of the covenants and agreements under this Agreement, upon written notice to SUNESIS and

SUNESIS fails to cure such breach within thirty (30) days after written notice of such breach to SUNESIS.

iv. Either Party may terminate this Agreement without cause upon sixty (60) days' written notice to the other Party.

v. In the event this Agreement or any Work Order is terminated SUNESIS shall pay AMRI for all work completed pursuant to the relevant Work Order(s) currently in effect at the time of termination, and any non-cancelable or non-refundable expenses incurred by AMRI in connection with the performance of Services hereunder. If payments in a terminated Work Order are milestone-based, and the Work Order is terminated after costs have been incurred by AMRI toward achieving such milestone, but such milestone has not yet been achieved, SUNESIS will pay AMRI's standard fees and expenses incurred for actual work performed up to the date of termination, not to exceed the actual amount due for completing such milestone.

vi. Upon receipt of a termination notice, AMRI shall promptly cease performing any work not necessary for the orderly close out of the affected Project(s), or for the fulfillment of regulatory requirements, and will submit to SUNESIS for review and approval an itemized accounting of the Services completed, any non-cancelable and/or non-refundable expenses reasonably incurred by AMRI relating to the unfinished Work Order or Work Orders, and payments received from SUNESIS in order to determine a balance to be paid by either Party to the other Party. Such balance will be paid within thirty (30) days after receipt and approval of such itemized accounting.

6. Communications and Payments.

a. Communications: All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and may be given in the following methods: personal delivery, registered or certified mail, postage prepaid, return receipt requests, or air courier service. Notices shall be sent to the appropriate party at its address given below (or at such other address for such Party as shall be specified by notice given hereunder):

To AMRI: Legal Department
Albany Molecular Research, Inc.
26 Corporate Circle
Albany, New York 12203

To SUNESIS: Legal Department
Sunesis Pharmaceuticals, Inc.
395 Oyster Point Boulevard
Suite 400
South San Francisco, California 94080

b. Payments: In consideration of the Services to be performed by AMRI under this Agreement, SUNESIS shall pay AMRI in accordance with the fees for each Service as set forth in the corresponding Work Order. SUNESIS agrees to submit payments to AMRI no later than thirty (30) business days after receipt of an invoice from AMRI. If SUNESIS disputes an invoice then SUNESIS will notify AMRI in writing promptly upon identifying such dispute, and the Parties shall use good faith efforts to reconcile the disputed invoice as soon as practicable.

7. Ownership and Retention of Records.

All materials, documents, information, programs, research reports, results, syntheses and suggestions of any kind and description supplied to AMRI by SUNESIS at any time, shall be the property of SUNESIS. Provided SUNESIS fulfills its obligations under Section 3 and 6 with respect to a given Work Order, and subject to the provisions in Section 2.j., all materials, documents, information, programs, research reports, results, syntheses and suggestions of any kind and description generated by AMRI as a result of the Services performed hereunder in respect of such Work Order shall be the sole and exclusive property of SUNESIS, other than for AMRI proprietary technology (inclusive of computational and combinatorial techniques, biocatalysis technology, natural product libraries, and other technology). Any ideas, inventions, discoveries, techniques, methods, processes, trade secrets or other know-how, whether patentable or not, that may be conceived by employees or other contractors of SUNESIS and/or AMRI through use of the material, documents, information, programs, syntheses and suggestions described above or as a result of the Service performed under this Agreement (hereinafter, “Developed IP”) shall be the sole and exclusive property of SUNESIS, and AMRI hereby does assign, and agrees to assign or cause to be assigned, all rights thereto to SUNESIS. AMRI and its employees agree to cooperate with SUNESIS in taking all reasonable steps which SUNESIS believes necessary or desirable to secure its rights on the Developed IP, at the expense of SUNESIS. SUNESIS acknowledges that AMRI is in the business of providing services for a variety of organizations other than SUNESIS. Accordingly nothing in this Agreement shall preclude or limit AMRI from providing services or developing materials for itself or other customers, or from utilizing the general knowledge gained during the course of its performance hereunder or AMRI property to perform similar services for other parties, provided that such provision of services or development of materials does not constitute a breach of confidentiality under Section 4 herein.

Experimental records and laboratory notebooks containing experimental descriptions and data generated under this Agreement, as outlined in Section 2.j., shall be (i) maintained in accordance with AMRI’s notebook policy and (ii) promptly transferred from AMRI to

SUNESIS or its designee upon the termination of this Agreement as set forth in Section 5 of this Agreement unless such materials are otherwise required to be stored or maintained by AMRI as a matter of law or regulation. AMRI shall maintain all written materials and all other data obtained or generated by AMRI in the course of providing the Services under this Agreement in a secure area reasonably protected from fire, theft and destruction. In no event shall AMRI provide to any third party any materials or data or information generated or obtained by AMRI in the course of providing the Services under this Agreement without first obtaining SUNESIS's written permission.

Other than the rights expressly set forth in this Agreement, no provision of this Agreement shall be construed to grant to AMRI by implication, estoppel, or otherwise, any right, title, or interest in or to any intellectual property owned or controlled by SUNESIS.

8. Safety and Environmental.

In carrying out its responsibilities under this Agreement, AMRI agrees to ensure that the Services are conducted in compliance with any applicable SUNESIS protocols, provided that such protocols are specifically agreed to in writing by AMRI, and/or specifications of which AMRI is reasonably advised in a timely manner and in compliance with all applicable laws, rules, and regulations, including, but not limited to the U.S. Food, Drug and Cosmetic Act and the regulations promulgated pursuant thereto and all relevant U.S. environmental regulations.

9. Independent Contractors.

a. The Parties are and shall be independent contractors to one another, and nothing herein shall be deemed to cause this Agreement to create an agency, partnership or joint venture between the Parties. Further, nothing in this Agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee between the Parties or between a Party and any employee or agent of the other Party. Neither Party shall at any time represent its relationship with the other Party as anything other than that of an independent contractor.

b. Neither Party, nor its employees, agents or Permitted Subcontractors (as discussed below) shall be (i) deemed employees of the other Party, nor (ii) entitled to participate in or receive any benefit or right as an employee of the other Party.

c. Each Party shall pay and report all federal and state income tax withholding. Social Security taxes and unemployment insurance applicable to such Party.

d. Permitted Subcontractors: AMRI shall have the right to subcontract a portion of its obligations in connection with its performance of any Project other than to its Affiliates (hereinafter a "Permitted Subcontractors"), provided that (i) AMRI shall have obtained the prior written approval of SUNESIS to use of such Permitted Subcontractors, including providing SUNESIS with sufficient information to

enable proper evaluation of such subcontractor; (ii) such subcontract shall not relieve AMRI of any of its obligations under this Agreement; (iii) AMRI shall enter into a written agreement with such Permitted Subcontractors on terms and conditions substantially similar to the confidentiality and intellectual property provisions of this Agreement; and (iv) each Work Order, when applicable, shall specify the name of such Permitted Subcontractors.

10. Warranty.

a. AMRI WARRANTS THAT (i) ALL PRODUCTS MANUFACTURED BY IT PURSUANT TO THIS AGREEMENT SHALL COMPLY WITH THE SPECIFICATIONS AND cGMP IF SO SPECIFIED IN A WORK ORDER HEREUNDER, AND CONFORM TO THE INFORMATION SHOWN ON THE CERTIFICATE OF ANALYSIS, AND (ii) ALL SERVICES SHALL BE PERFORMED IN A PROFESSIONAL AND WORKMANLIKE MANNER IN ACCORDANCE WITH INDUSTRY STANDARDS, BUT MAKES NO OTHER WARRANTY OR REPRESENTATION OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING. BUT NOT LIMITED TO, THE WARRANTIES OR MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

b. EXCEPT FOR THE WARRANTIES PROVIDED IN SECTIONS 10(a) AND 15, NEITHER PARTY MAKES ANY WARRANTY, EXPRESSED OR IMPLIED BY STATUTE OR IN WRITING, REGARDING THE SERVICES OR THE PRODUCT, INCLUDING WITHOUT LIMITATION ANY WARRANTY REGARDING THEIR FITNESS FOR PURPOSE, THEIR QUALITY, THEIR MERCHANTABILITY OR THEIR NON-INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES. ANY OTHER REPRESENTATIONS OR WARRANTIES MADE BY ANY PERSON OR ENTITY, INCLUDING EMPLOYEES OR REPRESENTATIVES OF A PARTY HERETO, THAT ARE INCONSISTENT HEREWITH, SHALL BE DISREGARDED AND SHALL NOT BE BINDING ON SUCH PARTY.

11. Limitations on Liability.

IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR ITS AFFILIATES FOR LOST PROFITS OR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR INDIRECT DAMAGES ARISING FROM ANY BREACH OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY BREACH OF A WARRANTY CONTAINED HEREIN OR OF ANY OBLIGATION TO PERFORM SERVICES OR TO PROVIDE COMPOUNDS BY A SPECIFIED TIME.

12. Indemnification and Liability.

a. **By SUNESIS.** SUNESIS shall indemnify and hold AMRI, its Affiliates and their directors, officers, employees and agents (“AMRI Indemnitee”) harmless from and against any and all third-party claims, damages, liabilities, losses, costs and

expenses (collectively, “Claims”) relating to the Sample(s), or the product resulting from the Services hereunder (a “Product”) after it has been accepted by SUNESIS, and arising from (i) SUNESIS’s or a third party’s use or sale of the Product or SUNESIS’s or a third party’s manufacture, use or sale of any product incorporating the Product, including without limitation any product liability Claims attributable to such Product or any other SUNESIS product (whether based on strict liability, inherent design defect, negligence, failure to warn, breach of contracts or any theory of liability), (ii) any Claims that the Product, Samples or the process provided by SUNESIS to AMRI for the conduct of a Project hereunder infringe a third party’s patent or other intellectual property rights, or (iii) any acts or omissions of SUNESIS or any of its directors, officers, employees, or agents (“SUNESIS Indemnitee”), except to the extent that such Claim (A) is caused by the gross negligence, willful misconduct or breach of this Agreement by an AMRI Indemnitee, or (B) infringement of third-party rights caused by AMRI’s use of third-party technology or materials in performing the Services for SUNESIS.

b. **By AMRI.** AMRI shall indemnify and hold SUNESIS Indemnitees harmless from and against any and all Claims arising from (i) AMRI’s gross negligence or willful misconduct in connection with this Agreement or AMRI’s breach of this Agreement, and (ii) alleged infringement of third-party rights caused by AMRI’s use of third-party technology or materials in performing the Services for SUNESIS, except to the extent that such a Claim is caused by the gross negligence or willful misconduct of SUNESIS Indemnitees.

c. **Indemnification Procedures.** A Party seeking indemnity hereunder (the “Indemnified Party”) (i) shall give prompt written notice to the other Party (the “Indemnifying Party”) of any Claim for which indemnification is sought, (ii) shall permit the Indemnifying Party to assume full responsibility to investigate, prepare for and defend against the Claim, (iii) shall reasonably assist the Indemnifying Party, at the Indemnifying Party’s reasonable expense in the investigation of, preparation for and defense of such Claim, and (iv) shall not compromise or settle such Claim in a manner that adversely affects the other Party’s rights under this Agreement without the Indemnifying Party’s prior written consent.

13. Force Majeure.

Neither SUNESIS nor AMRI shall be liable for delays in performing or any failure to perform any terms of this Agreement caused by the effects of fire, strike, war (declared or undeclared), insurrection, government restriction or prohibition, force majeure or other causes reasonably beyond its control and without its fault, but the Party failing to perform shall use all reasonable efforts to resume performance of this Agreement as soon as feasible. Any episode of force majeure which continues for sixty (60) days from the date of notification of its existence shall give the non-affected Party the right to terminate this Agreement upon thirty (30) days additional notice.

14. Assignment.

Neither Party shall have the right to assign this Agreement or any of the rights or obligations hereunder without the prior written consent of the other Party, except that each Party may assign this Agreement without such consent to an Affiliate or a subsidiary of that Party, and SUNESIS may assign this Agreement without such consent in connection with the transfer or sale of all or substantially all of its business or assets, or in the event of its merger, reorganization, consolidation, change in control or similar transaction.

15. Representations and Warranties.

a. Each Party represents and warrants to the other Party that (i) such Party has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, (ii) the execution, delivery and performance by such Party of this Agreement has been duly and validly authorized, and the Parties have secured all consents and authorizations necessary to enter into this Agreement and proceed with the undertakings required herein, and (iii) this Agreement has been duly executed and delivered by such Party and constitutes a valid and legally binding obligation of such Party, enforceable in accordance with its terms.

b. AMRI represents and warrants to SUNESIS that this undertaking does not conflict with its duties and obligations under any other agreements to which it is a party, including any agreements with any other company or institution, or any policies applicable to them.

16. Entire Agreement.

a. This Agreement and the Work Orders attached hereto represent the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior understandings and agreements with respect thereto, including the previous Service Agreement between the Parties dated August 22, 2003 and any amendment and Quality Agreement thereto.

b. No change or modification of the provisions of this Agreement shall be effective unless it is in writing and signed by a duly authorized officer of AMRI and SUNESIS.

17. Insurance.

Each Party shall maintain appropriate product liability and commercial general liability insurance with respect to the conduct and performance of the Services under each Work Order as each Party customarily maintains with respect to similar activities. Each Party shall provide the other Party evidence of such insurance upon written request.

18. Choice of Law and Dispute Resolution.

a. Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware without regard to conflicts of law principles thereof.

b. Dispute Resolution. Any dispute with regard to the performance of this Agreement by either Party will be settled by the following method:

i. Initial disputes will be reviewed by a technical committee comprised on an equal number of staff from both SUNESIS and AMRI (the "Discrepancy Review Committee"). Either Party may initiate such a review by written notice to the other Party. Dispute resolution will be in writing and signed by the research director (or equivalent officer) of both SUNESIS and AMRI.

ii. If the Discrepancy Review Committee cannot reach a resolution within thirty (30) days after such dispute notice ("Notification"), the Chief Executive Officers ("CEOs") or their designees of both SUNESIS and AMRI will meet to reach a resolution acceptable to both.

iii. If the CEOs or their designees cannot reach an acceptable resolution within sixty (60) days after such Notification, the Parties may submit to mediation of the dispute. If the mediation is unsuccessful, the parties may then resort to arbitration, litigation or another dispute resolution procedure.

19. Miscellaneous.

a. AMRI will permit SUNESIS to audit AMRI's relevant non-financial records during and for a period of twelve (12) months after the term of this Agreement with reasonable advanced prior notice, during normal business hours, and not more than once per calendar year solely to permit SUNESIS to confirm that the Services are or have been performed in compliance with applicable laws and regulations.

b. If any term or provision of this Agreement or the application thereof shall be invalid or unenforceable, the remainder of this Agreement shall be unaffected and each remaining term or provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law.

c. Waiver by either Party or the failure by either Party to claim a breach of any provision of this Agreement shall not be deemed to constitute a waiver or estoppel with respect to any subsequent breach of any provision hereof.

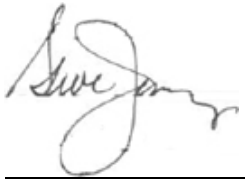
20. No Implied Rights.

Except as otherwise expressly provided herein, neither Party shall have any right, title or interest to or in any patents, patent applications, know-how (whether patentable or unpatentable) or other intellectual property rights of the other Party.

21. Counterpart.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same legal instrument.

IN WITNESS WHEREOF, the Parties intending to be legally bound have caused this Agreement to be executed by their duly authorized representatives.

ALBANY MOLECULAR RESEARCH, INC.	SUNESIS PHARMACEUTICALS, INC.
By: 	By: Steven B. Ketchum
Name: Steve Jennings	Name: Steven B. Ketchum, Ph.D.
Title: SVP, Sales, Marketing & Business Development	Title: Sr. VP, R & D
Date: December 14, 2009	Date: 17 Dec 2009

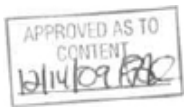


EXHIBIT A

QUALITY AGREEMENT

MASTER SERVICES AGREEMENT
("MSA")

AGREEMENT made on the 21st day of June 2010 ("**Effective Date**")

BETWEEN **ICON CLINICAL RESEARCH LIMITED,** a limited liability company incorporated under the laws of the Republic of Ireland with its registered office at South County Business Park, Leopardstown, Dublin 18, Ireland on behalf of itself and its affiliates (hereinafter individually or collectively known as the context may require "**ICON**"),

AND **SUNESIS PHARMACEUTICALS, INC.,** a Delaware corporation, with offices at 395 Oyster Point Boulevard, Suite 400, South San Francisco, California 94080, United States of America (hereinafter "**SUNESIS**")

(each a "Party", collectively "Parties").

RECITALS:

A. WHEREAS, ICON is a contract research organization engaged in the business of providing personnel and expertise to the pharmaceutical and biotechnology industries worldwide in the areas of management of clinical trials (phases I to IV inclusive), data management, statistical analysis, data imaging, staffing and reporting of clinical studies, laboratory and other ancillary services, and;

B. WHEREAS, SUNESIS is a biopharmaceutical company focused on the development and commercialization of new oncology therapeutics, and;

C. WHEREAS, SUNESIS may wish to retain the services of ICON from time to time to perform clinical trial services and related services (the "**Services**") in connection with certain clinical studies (individually, a "**Study**", collectively "**Studies**"), as are specified in separate work orders ("**Work Orders**"); and

D. WHEREAS, the Parties hereto desire to agree upon various terms and conditions that will govern their business relationship for the term specified herein in connection with the Studies conducted by SUNESIS.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. SERVICES & OBLIGATIONS OF THE PARTIES:

1.1. **Purpose -** The purpose of this document is to establish a master services agreement between ICON and SUNESIS for the provision of Services. As a "master" form of contract, this MSA allows the

Parties to contract for multiple projects through the issuance of multiple Work Orders (as defined above), without having to re-negotiate the basic terms and conditions contained herein.

1.2. **Non-Core Clinical Site Management Services** - Where SUNESIS requests ICON to provide the following non-core clinical site management services: central laboratory services, Interactive Voice Response System (IVRS), data management, statistics, pharmacovigilance, medical monitoring, phase I or staffing services (collectively, "Non -Core Clinical Site Management Services") in connection with any Study hereunder, SUNESIS acknowledges that additional terms and conditions may apply to such Non-Clinical Site Management Services which shall be mutually agreed to by the Parties and included in the relevant Study Work Order.

1.3. **Competitive Bid** - Whenever SUNESIS wishes ICON to work on a Study under this MSA, SUNESIS may invite ICON by means of a Request for Proposal ("**RFP**"), to bid competitively on the Study. If so, SUNESIS and ICON will subsequently discuss the specifications, responsibilities, costs and other pertinent aspects of the Study outlined in the RFP, and ICON will provide a competitive offer document, which shall include a cost proposal and assumptions applicable to that Study showing all direct ICON costs, as well as pass-through costs (where available).

1.4. **Contract Execution** - In the event that the Parties shall reach agreement with respect to a particular Study, the Parties shall execute a Work Order substantially in the form of Attachment A hereto, *Sample Work Order*, with respect to such Study. When Services for a Study must commence prior to the final agreement and execution of the Work Order, ICON shall require from SUNESIS, a written authorization to proceed (a "Written Authorization") prior to ICON actually providing the Services for the Study. Any and all Written Authorizations shall be for a limited term and include, without limitation, all applicable transfer of SUNESIS' regulatory obligations pursuant to such Study, scope of work and timelines, a billable maximum amount and payment schedule.

1.5. **Collective Agreement** - Upon execution of a Work Order, that Work Order together with the MSA shall collectively, independent from any other Work Orders, constitute the entire agreement for the specific Study. This MSA shall be deemed to apply to each such Work Order so executed as fully and with like effect as though this MSA was re-executed at the time such Work Order is executed.

1.6. **Prevailing Terms** - To the extent there is any conflict between or among the terms of the MSA and a Work Order hereunder, the terms of the MSA shall govern except to the extent that such Work Order specifically modifies the MSA. Any such modification shall apply only to the Study or Studies pertaining to such Work Order and shall not act as an amendment of this MSA as it relates to any prior or subsequent Work Order.

1.7. **Provision of Services** - ICON hereby agrees that it will perform all Services in good faith and in accordance with: (i) accepted industry practice; (ii) all applicable federal, state and local laws, rules, decrees, regulations, and published industry accepted guidelines, including without limitation Good

Clinical Practices ("GCP"), the International Conference on Harmonization ("ICII") guidelines, relating to clinical investigations and the use of Study drugs in humans, to personal data protection, electronic data and other guidances of the United States Food and Drug Administration ("FDA"); (iii) the MSA and applicable Work Order; and (iv) the applicable Study protocol. SUNESIS hereby agrees that ICON will not be held liable in the event that the Services performed by ICON under the terms of the MSA, Work Orders or if applicable, related Study protocols, become, partly or as a whole, inconsistent with a new law or legal obligation, rule or regulation which are applicable to the conduct of clinical trials, and which would become effective during the performance of such Services, In such case, SUNESIS agrees to indemnify ICON from any Claim (as the term is defined in Section 6 below) arising from a violation referred to in this paragraph.

1.8. **Antecedent Services** - Within thirty (30) days of ICON's receipt of SUNESIS' written notification awarding a Study to ICON, ICON shall require the execution of a Work Order for such Study. ICON shall not be obligated to commence any work for any Study or project pursuant to this MSA until such Work Order has been executed by the Parties. In the event that ICON, in good faith and with the Written Authorization from SUNESIS, provides Services to SUNESIS prior to, or in contemplation of, the formal execution of a Work Order in respect of any Study intended by the Parties to be governed by the terms of this MSA, ICON shall be entitled to payment by SUNESIS in respect of any Services so provided (including Pass Through Costs) in accordance with the applicable Written Authorization.

2. RELATIONSHIP BETWEEN THE PARTIES:

2.1. **Independent Contractor** - In undertaking to perform any of the Services, ICON is doing so as an independent contractor, and nothing in this MSA shall be construed as creating any relationship of partnership, joint venture or agency between the Parties hereto. No relationship of employer or employee shall arise or be created under this MSA as and between SUNESIS and ICON and /or any ICON employees or consultants (individually and collectively, "**ICON Personnel**") or Permitted Subcontractors (as discussed in Section 8.2 below) engaged by ICON to perform the Services. Neither Party shall have any authority by virtue of this MSA to contract or otherwise act on behalf of the other. Neither Party shall represent itself as an agent of the other.

2.2. **Personnel Assigned** - The initial Study team assigned by ICON to an applicable Study shall be approved by SUNESIS in advance of the start of the Study. SUNESIS reserves the right, within reason, to require the replacement of any ICON Personnel providing the Services under this MSA. The Services shall be performed by ICON under the direction of the person identified as the project manager in the applicable Work Order or such other person acceptable to SUNESIS.

2.3. **Change of Personnel** - ICON agrees to use reasonable efforts to ensure the continuity of key ICON Personnel assigned to a Study under this MSA. ICON reserves the right to change any such assigned personnel provided that:

2.3.1. where feasible, at least two (2) weeks prior notice in writing of such proposed change in respect of key ICON Personnel is given to SUNESIS; and

2.3.2. ICON Personnel proposed for replacement shall have substantially equivalent qualifications as the personnel being replaced; and

2.3.3. where feasible, SUNESIS shall have the right to meet and approve any replacement ICON Personnel prior to their appointment to a Study hereunder.

2.4. Affiliates

2.4.1. Affiliates - SUNESIS and ICON agree that their respective Affiliates may also execute Work Orders under this MSA. Furthermore SUNESIS agrees that ICON may use the services of its Affiliates to fulfill ICON's obligations under this Agreement. Any Affiliate(s) so used shall be subject to all of the terms and conditions applicable to the respective Party under this Agreement.

2.4.2. Definition - For the purposes of this MSA and any Work Orders hereunder "Affiliate" shall mean any entity, which controls, is controlled by, or is under common control with that Party. In this context "control" shall mean (i) ownership by one entity, directly or indirectly, of at least fifty percent (50%) of the voting stock of another entity; (ii) power of one entity to direct the management or policies of another entity by contract or otherwise; (iii) both entities being directly or indirectly owned by the same party; or (iv) any other relationship between a Party and an entity which both SUNESIS and ICON have agreed in writing may be considered sufficiently affiliated to a Party.

2.5. **Staff Solicitation** - During the Term (as defined in Section 3.1 below) of this MSA, or any Work Order issued hereunder whose completion extends beyond the Term, and for one (1) year thereafter the Parties each agrees not to solicit directly or indirectly, any employee of the other Party for employment whether as an employee, independent contractor or otherwise. If either Party breaches this provision, the breaching Party agrees to pay the non-breaching Party such employee's first year base salary (exclusive of any bonuses, relocation allowance, stock options, and benefits), to be calculated as the base salary otherwise payable by the non-breaching Party at the time of employee's departure from the non-breaching Party's employment. This payment provision shall not apply to hiring the non-breaching Party's employees who, independent of the breaching Party's solicitation, direct or indirect, apply for a position with breaching Party and are hired by the breaching Party, nor shall it apply to ex-employees of the non-breaching Party; in each of these cases, the breaching Party shall be free to hire without obligation whatsoever to non-breaching Party.

2.6. **Investigator Contract Format** - If a particular Work Order obliges ICON to contract with investigators, investigative sites or hospital administrators or directors, (collectively **"Investigators")** or to facilitate SUNESIS' contracting with Investigators, then any such contract shall be in a form mutually acceptable to SUNESIS and ICON, which contract shall include, without limitation, provisions addressing the specific duties and standards of the parties, confidentiality, indemnification, ownership of intellectual property and debarment certification. In the event that Investigators require substantial deviation from the Parties mutually acceptable Investigator contract format, ICON shall, discuss with and obtain approval from SUNESIS for such deviation, and when instructed by SUNESIS, either incorporate such deviations or endeavour to reach a compromise regarding the same. Should any negotiation between ICON and the Investigators result in a deadlock

or remain unresolved for a period of time, not to exceed three (3) months, ICON will notify SUNESIS to discuss whether or not negotiations should continue with such Investigators or whether alternative Investigators need to be selected (SUNESIS acknowledges that such an alternative may result in the need for a change in costs or Study timelines).

3. TERM & TERMINATION

3.1. **Term of MSA** - This MSA shall commence on the Effective Date hereof and shall continue for a period of five (5) years, unless and until terminated in accordance with Section 3.2 below (the **"Term").** In the event that the Parties have executed a Work Order under the terms of which ICON is providing Services to SUNESIS and where the provision of Services is to continue past the prospective termination date of the MSA, the Parties hereby agree that the terms and conditions of this MSA and each applicable Work Order shall continue to apply, and the Parties shall continue to perform in accordance with this MSA, the applicable Work Order and any corresponding Change Order thereto, with respect to each affected Study.

3.2. **Early Termination**

3.2.1. SUNESIS may terminate this MSA and/or any Work Order with or without cause on sixty (60) days prior written notice to ICON;

3.2.2. This MSA and /or any Work Order may be terminated at any time by mutual written consent of both Parties hereto;

3.2.3. This MSA may be terminated by either Party if the other Party or its Affiliate commits any material breach of any of the provisions of this MSA, and, in the case of a material breach capable of remedy, fails to remedy the same within thirty (30) days after receipt of a written notice giving full particulars of the material breach and confirming the intention to terminate if not remedied;

3.2.4. Any Work Order may be terminated by either Party if the other Party or its Affiliate commits any material breach of any of the provisions of such Work Order or any provisions of this MSA affecting such Work Order, and, in the case of a material breach capable of remedy, fails to remedy the same within thirty (30) days after receipt of a written notice giving full particulars of the material breach and confirming the intention to terminate if not remedied;

3.2.5. Either Party may terminate this MSA, including all Work Orders then in effect at the time of termination, immediately, if either Party shall become bankrupt or insolvent or if all or a substantial part of its business or assets shall be placed in the hands of a Receiver, Administrator, Administrative Receiver, Trustee in Bankruptcy or similar or analogous officer or an insolvency practitioner, whether by its voluntary act or otherwise; and

3.2.6. Any Work Order may be terminated by either Party for reasons of patient safety, immediately upon notification by telephone, which shall then be followed by written confirmation.

3.2.7. In the event that ICON reasonably determines that its continued performance of the Services contemplated by this MSA would constitute a potential or actual violation of regulatory or scientific standards of integrity, ICON may terminate this MSA and/or the affected Work Orders, by giving written notice to SUNESIS of the intended termination, and the Parties shall in good faith and use commercially best efforts to maintain the integrity of the affected Studies, and control and limit the cost associated with the closure of the Studies or transition of the Studies from ICON to SUNESIS

or SUNESIS' designee. Any written termination notice shall identity the specific Work Order or Work Orders that are being terminated.

3.3. **Survival of Rights on Termination -** The expiration or earlier termination of this MSA for whatever reason shall not affect the accrued rights of either SUNESIS or ICON arising under or out of this MSA, and all provisions which are expressed to or by implication survive this MSA shall remain in full force and effect.

3.4. **Return of Materials on Termination -** Upon termination of this MSA for any reason, ICON shall, at SUNESIS's reasonable cost, deliver to SUNESIS all documents, data, records and SUNESIS Intellectual Property (as defined in Section 5.9 of this Agreement) and materials in whatever form (including any reproductions of same) of any nature pertaining to ICON's provision of the Services under this MSA and/or pertaining to any Confidential Information as described in Section 5 (excluding ICON Intellectual Property as defined at Section 5.8) ("**Materials**"). Notwithstanding the foregoing, ICON may retain, solely for the purpose of determining the scope of its obligations under this MSA, one (1) copy of the Materials. If requested by SUNESIS, ICON shall at SUNESIS's reasonable cost and upon an acceptable archiving contract being signed by ICON and SUNESIS archive SUNESIS specified Materials.

3.5. **Separate Termination Provisions -** Notwithstanding the above, each Work Order entered into pursuant to this MSA may be terminated in accordance with its own termination provisions. The provisions of this MSA shall remain unaffected by the termination of individual Work Orders. In the event of any conflict in such termination provisions, the termination provisions contained in the applicable Work Order shall govern in respect of the Work Order.

3.6. **Transition Upon Termination -** Upon termination, the Parties agree to cooperate with each other to ensure an orderly wind-down of the Services provided by ICON hereunder, ICON will cease performing any work not necessary for the orderly wind down of the Services in connection with all affected Studies or for the fulfillment of regulatory requirements, and use commercially best efforts to control and limit the cost to SUNESIS associated with the conclusion and/or transition of the Services to SUNESIS or its designee, as instructed by SUNESIS, and as expeditiously as possible and in accord with all regulatory requirements. Additionally, ICON shall be compensated for all fees and costs in accordance with Section 4.9 below.

4. PAYMENT

4.1. **Budget/Schedule of Fees -** A budget and schedule of fees and payments for the provision of the Services, as agreed between the Parties, shall be included in each Work Order. SUNESIS shall pay ICON its direct fees (the "**Fees**") together with costs which are incurred by ICON on behalf of and pre-approved by SUNESIS ("**Pass Through Costs")** in respect of the Services provided in accordance with the terms and conditions set out in each applicable Work Order. The Parties agree that the structure of all payment schedules set out in a Work Order will ensure (at a minimum) that

ICON remains cash neutral in each calendar quarter throughout the term of the Study, Profit factors and overhead will not he applied to Pass Through Costs.

4.2. **Float -** To ensure ICON does not suffer a cash-flow depletion as a result of the performance of any of the Services, the Parties agree, in respect of each Work Order, ICON will invoice SUNESIS with ICON'S estimated Fees and Pass Through Costs ("**Pre-Payment**") through the end of the first full calendar month following the execution of such Work Order, Thereafter, ICON will invoice SUNESIS on the first (1st) day of each calendar month for estimated Fees and Pass Through Costs for that month. The prior month's Pre-Payment is creditable against the current month's Pre-Payment invoice. If the Pre-Payment decreases from month-to-month, the decrease is creditable against the invoice for actual Fees and Pass Through Costs for that month.

4.3. **Contract Currency**

All payments shall be made in U.S. Dollars (the **"Contract Currency").**

4.4. **Currency Fluctuation**

4.4.1 **Currency Fluctuation for Fees** - If Fees have been costed in another currency, conversion to the Contract Currency will be made at the rate set out in the Work Order **("Contracted Rate").** The Parties agree that if the average exchange rate for that quarter as per www.reuters.com ("**Reuters Rate**") is more than 5% different from the Contracted Rate, ICON shall at the end of that quarter reconcile the amount of the invoices billed to SUNESIS in that quarter ("**Actual Invoiced**") against the same invoices as converted using the Reuters Rate ("Invoices **Converted").** In such an event, ICON shall either pay or invoice (as applicable) SUNESIS for an amount equal to the difference between the Actual Invoiced and the Invoices Converted.

4.4.2 **Currency Fluctuation for Pass Through Costs** - In reimbursing ICON for Pass Through Costs (including investigator grants) in any currency other than the Contract Currency, conversion to the Contract Currency will be made using the applicable currency exchange rate as published at www.reuters.com as of the last day of the previous month.

4.5. **Payment Terms -** Any invoices submitted by ICON to SUNESIS shall include documentation and/or detail mutually agreed by the Parties. All invoices for Pass Through Costs shall include VAT (if applicable, and shall also indicate whether or not any such VAT charged may be recoverable by ICON). Taxes (and any penalties thereon) imposed on any payment made by SUNESIS to ICON shall be the sole responsibility of ICON. The SUNESIS contact to which invoices are to be sent shall be identified in each Work Order.

4.5.1. Unless otherwise expressly provided in the applicable Work Order, ICON shall submit to SUNESIS an invoice under each such Work Order describing the Services provided and the associated Fees and Pass Through Costs incurred during a particular month on a monthly basis and SUNESIS shall pay all undisputed invoices within thirty (30) days of date of receipt of each such invoice. Interest may be charged in the amount of 1.5% per month (or part thereof) in respect of all invoice payments received by ICON more than sixty (60) days after receipt of each such invoice by SUNESIS.

4.5.2. If any portion of an invoice is disputed, SUNESIS shall pay the undisputed amounts in

accordance with the terms above, and the Parties shall use good faith efforts to reconcile differences or discrepancies with regard to any disputed amount as soon as practicable. No interest penalty shall be charged to SUNESIS on any such disputed amounts.

4.5.3. The Parties agree that ICON will

4.5.3.1. code all invoices in sufficient detail to facilitate the ending of costs to SUNESIS's general ledger; and

4.5.3.2. provide SUNESIS with accruals estimates for SUNESIS's accounting purposes within five (5) business days from the end of the related calendar month (including Pass Through Costs); and

4.5.3.3. provide SUNESIS with pertinent information to allow verification of any and all investigator grant accruals against the Clinical Trial Management System (CTMS).

4.5.4. SUNESIS acknowledges that the Pass Through Costs contained in any Work Order may contain an estimate based on the scope of work, timelines, and information supplied by third party service or supply providers, and that such costs cannot be predicted with complete certainty at the outset of a Study. ICON agrees to notify SUNESIS of any increases or decreases in the Pass Through Costs upon receipt of such information from third party service or supply providers or other sources, as the case may be, and that such information will be included in a Change Order to the applicable Work Order.

4.5.5. SUNESIS will have no obligation to pay ICON any Fees for Services performed under any Work Order hereunder in excess of the applicable budget for each task, including no further inflation adjustments, except as may be otherwise agreed to in writing by SUNESIS.

4.6. **Change Notices/Orders** - Any change in the details of a Work Order promulgated under this MSA or the assumptions upon which such Work Order is based (including, but not limited to, changes in an agreed starting date for a Study or suspension of such Study by SUNESIS) or a delay in the provision of Study materials or information by SUNESIS may require changes in the budget and/or timelines, and shall require a written amendment to the Work Order (a **"Change Order")**. The process for Change Orders or out-of-scope-work is set forth under the Change Order Management Plan (COMP) attached hereto as Attachment B. Each Change Order shall detail the requested changes to the applicable task, responsibility, duty, budget, timeline or other matter. The Change Order will become effective as an amendment to the relevant Work Order and this MSA upon the execution of the Change Order by authorized representatives of the respective Parties. ICON shall not be obligated to initiate any changes to a project scope requested by SUNESIS until such time as the Parties agree to and execute the corresponding Change Order. Both Parties agree to act promptly and in good faith when considering a Change Order requested by the other Party.

4.7. **New Obligations** - SUNESIS agrees that it will bear any financial costs ICON incurs as a result of its compliance with any new obligation that is created in the course of the performance of the Services pursuant to this MSA, as a result of the entry into force of a new law or legal obligation, rule or regulation which are applicable to the conduct of clinical trials.

4.8. **Inflation Adjustments** - Where services in a Work Order are provided by ICON over multiple calendar years, ICON may increase the Fees at the beginning of each calendar year to reflect increases in ICON's business costs on a prospective basis only. Such increase may he based on annual surveys issued by various consultancy firms, including but not limited to "Allan Jones" and "Watson Wyatt". Such tee increase shall be managed through the invoicing process in accordance with Section 4.6 above.

4.9. **Payment for Premature Termination** - In the event that a Work Order is terminated prior to conclusion of the Study for any reason other than ICON's material breach (Section 3.2.3), then SUNESIS shall pay ICON the following amounts:

4.9.1. payment of any outstanding amounts due for Services satisfactorily performed in connection with the affected Studies and in accordance with the applicable Work Orders, including all documented Pass Through Costs and all Fees actually incurred as of the date work on such Study is actually concluded;

4.9.2. any reasonable fees, expenses and costs other than the Fees and Pass Through costs set forth in the applicable Work Order, and approved in advance by SUNESIS, actually incurred by ICON to complete its obligations under the Work Orders; and

4.9.3. Any reasonable non-cancellable fees or Pass Through Costs incurred or contracted by ICON prior to such early termination.

If payments in a terminated Work Order are milestone-based and the Work Order is terminated after costs have been incurred by ICON toward achieving a milestone, but such milestone has not yet been completed, SUNESIS will pay ICON for actual work performed up to the date of termination in accordance with the schedule of fees set forth in the budget for the terminated Work Order, not to exceed the actual amount due for completion of such milestone. Upon receipt of the termination notice, ICON will submit an itemized statement of the Services completed and expenses incurred pursuant to the performance of the Services, any non-cancelable expenses relating to any unfinished Work Order, and payments received from SUNESIS in order to determine the balance to be paid by either Party to the other. Any refund or payment under this Section shall be made within thirty (30) days after SUNESIS's receipt of ICON's itemized statement.

4.10. **Address for Payments** - All payments required to be made to ICON by SUNESIS shall be transferred by wire or SWIFT or any other means as specified by ICON in each applicable Work Order.

4.11. **Financial Audits** - ICON will maintain true and complete financial records relating to the Services performed under this MSA, including expenses and labor hours (if applicable) applied in connection with any Work Order(s). During the term of each Work Order, and for twenty four (24) months after its completion, SUNESIS shall have the right, upon advance written notice to ICON or such other time if agreed by the Parties, and during normal business hours, to inspect the financial records (excluding any reports created by ICON solely for its own internal financial purposes and use), maintained by ICON with respect to the amounts paid, payable or to be paid by SUNESIS pursuant to each such Work Order.

5. CONFIDENTIALITY

5.1. **Confidential Information -** In the performance of Services, it may be necessary or desirable for the Parties hereto to disclose Confidential Information (as defined below) and/or other proprietary information to one another or to third parties (such as Investigators or, Permitted Subcontractors) participating in the Studies. All Confidential Information of a Party shall remain the property of that Party. Each Party hereto agrees that any such Confidential Information of the other Party disclosed to it or to its employees, agents and contractors, shall only be used in connection with the legitimate purposes of this MSA, shall be disclosed only to those who have a need to know it and are obligated to keep same in confidence, and shall be safeguarded with all reasonable care.

5.2. **Definition of Confidential Information -** For the purposes of this MSA, "Confidential Information" shall mean any and all information in whatever form including, but not limited to, information pertaining to all inventions, trade secrets, ideas, processes, programs and all tangible and intangible Information relating to formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, pending or potential patent claims and any information derived therefrom, plans for research, new products, marketing and selling plans, business plans, budgets and unpublished financial statements, licenses, pricing and costing information, identities of and information relating to suppliers and clients and information regarding the skills and compensation of employees or other consultants of SUNESIS or ICON.

5.3. **Undertaking by the Parties Not to Disclose** Each Party specifically undertakes that, during the period of this MSA and for a period of five (5) years thereafter, it shall not use, disclose, publicize, disseminate, promote or advertise any Confidential Information of the other Party, except to the extent expressly permitted under this MSA or as may be authorized in writing by the other Party.

5.4. **Binding Other Parties -** The Party receiving Confidential Information (the "**Recipient**") of the other Party ("**Discloser**") shall be responsible for ensuring that any servants or agents, or any other persons who receive Confidential Information through it, are bound under the terms of this MSA.

5.5. **Exclusions -** The confidentiality obligations of the Parties in Sections 5.1 to 5.4 shall not extend to any information which:

5.5.1. is or becomes generally available to the public otherwise than by reason of a breach by the Recipient of Sections 5.1 to 5.4 above; or

5.5.2. is known to the Recipient, and is at its free disposal and not subject to any confidentiality restrictions, prior to its receipt from the Discloser as established by written evidence; or

5.5.3. is subsequently disclosed to the Recipient without being made subject to an obligation of confidence by a third party as established by written evidence; or

5.5.4. is disclosed by the Recipient to a third party to such extent only as is necessary for the purposes contemplated by this MSA and subject to the Discloser using all reasonable endeavors to

ensure that the person in question keeps the same confidential and does not use the same except for the purposes for which the disclosure is made; or

5.5.5. is independently developed by Recipient or its Affiliates without use of or access to Confidential Information of the Discloser, as evidenced by Recipient's written files created at the time of such independent development.

5.6. **Disclosure by Law -** Confidential Information may also be disclosed to the extent required by law provided that the Party making such disclosure of the other Party's Confidential Information shall give maximum practical advance notice of same to the other Party hereunder and shall request maximum protective confidential treatment of such disclosure from the recipient thereof as may be afforded by law.

5.7. **Inventions** Save any ICON Intellectual Property any and all inventions or discoveries (whether or not patentable), patents, know-how, trademarks, materials, information, data, innovations, suggestions, ideas and reports made or developed by personnel of either Party, alone or jointly with other persons, as a direct result of performing the Services ("Inventions") shall be promptly disclosed to SUNESIS.

5.8. **ICON Intellectual Property**

5.8.1. SUNESIS acknowledges that ICON possesses certain existing intellectual property independently developed by ICON, and which relates to its business operations, including but not limited to software and management tools to support the activities of ICON'S operations, which shall remain the exclusive property of ICON. The Parties agree that any improvements, modifications or developments to such intellectual property during the course of providing any Services shall be the exclusive property of ICON **("ICON Intellectual Property").**

5.8.2. ICON agrees that if, in the course of performing the Services for SUNESIS, ICON incorporates any ICON Intellectual Property into any Invention developed, SUNESIS is hereby granted and shall have a non-exclusive, royalty-free, perpetual, irrevocable, worldwide license to make, have made, modify, reproduce, display, use and sell that portion of the ICON Intellectual Property as part of or in connection with the exploitation of such Invention.

5.9. **SUNESIS Intellectual Property** As between the Parties, all materials, documents (including its protocol), and information of every kind and description supplied to ICON by SUNESIS (with the exception of that in the public domain), and all concepts, Inventions, know-how, analytical frameworks and other intellectual property developed by any SUNESIS employees, consultants, representatives or contributors, or generated by any ICON Personnel or Permitted Subcontractors for SUNESIS under this MSA, excluding ICON Intellectual Property, shall be the sole and exclusive property of SUNESIS **("SUNESIS Intellectual Property")**. Unless otherwise required by law or by the terms of this MSA all such SUNESIS Intellectual Property which ICON shall have in its possession or control shall be returned to SUNESIS upon completion or termination of this MSA.

5.10. **Cooperation by ICON to Prosecute Protection -** Except as set forth above, all work prepared by ICON under this MSA or any Work Order promulgated hereunder shall be considered a work made for hire for SUNESIS, and if it does not so qualify, ICON hereby assigns all of its rights, title and interest, including the copyright worldwide in the work to SUNESIS, effective upon creation, for use in any and all media, with or without modification and with or without attribution. ICON hereby assigns all of its rights, title, and interest in and to any and all SUNESIS Intellectual Property throughout the world to SUNESIS, ICON further agrees that it shall, upon the request and at the expense of SUNESIS, execute and deliver any and all instruments, documents and papers, give evidence and do any and all other acts which, in the reasonable opinion of SUNESIS, are or may be necessary or desirable to enable SUNESIS to acquire, maintain, defend and legally enforce any and all trademark registrations, patents and copyrights with respect to any work or Inventions or obtain any extension, validation, reissue, continuance or renewal of any such trademark, patent or copyright.

6. LIABILITY & INDEMNITY

6.1. **Indemnification by ICON** - Without prejudice to Section 6.5.1, ICON hereby agrees to indemnify SUNESIS its Affiliates and their members, officers, directors, employees, consultants and agents (collectively "**SUNESIS Indemnitees**") from any loss, damage, cost or expense (including reasonable attorney's fees) ("**Loss**") arising from any third party: (i) claim; (ii) demand; (iii) assessment; (iv) action; (v) suit; or (vi) proceeding (each a "**Claim**") arising or occurring during the Term as a result of ICON's negligence or intentional misconduct; in the provision of any Services, provided that if such Loss and/or Claim arises in whole or in part from SUNESIS Indemnitees' negligence or intentional misconduct, then the amount of the Loss that ICON shall indemnify SUNESIS for shall be reduced by an amount in proportion to the percentage of the SUNESIS Indemnitees responsibilities for such Loss as determined by a court of competent jurisdiction in a final and non-appealable decision or in a binding settlement between the Parties.

6.2. **Indemnification by SUNESIS** Without prejudice to Section 6.5.1, SUNESIS hereby agrees to indemnify ICON its Affiliates and their members, officers, directors, employees, Permitted Subcontractors and agents ("**ICON Indemnitees**") from Loss from any Claim arising from the performance of the Services by ICON pursuant to the MSA; provided that if such Loss and/or Claim arises in whole or in part from ICON Indemnitees' negligence or intentional misconduct, then the amount of the Loss that SUNESIS shall indemnify ICON for shall be reduced by an amount in proportion to the percentage of the ICON Indemnitees' responsibilities for such Loss as determined by a court of competent jurisdiction in a final and non-appealable decision or in a binding settlement between the Parties.

6.3. Responsibility for Claim

6.3.1. Where one Party (the "**Indemnified Party**") seeks the indemnification of a Claim from the other Party (the "**Indemnifying Party**"), and the Indemnifying Party agrees that such Claim is fully covered by this indemnity provision and so long as it complies with its obligations under this Section 6, then it shall be permitted to direct the defence or settlement of such Claim.

6.3.2. If the Indemnifying Party disputes that the Claim is fully covered by this indemnity provision,

then the Parties agree to resolve such dispute in accordance with Section 9 below.

6.4. Obligations of the Parties - The Parties must follow the below procedure when seeking indemnification:

6.4.1. promptly notify the Indemnifying Party of any such Claims against it;

6.4.2. make no admittance of liability;

6.4.3. authorize and permit the Indemnifying Party to conduct and exercise sole control of the defense and disposition (including all decisions relative to litigation, appeal or settlement) of such Claims (including access to pertinent records and documents and provision of relevant testimony) and to determine the scope of its obligations hereunder;

6.4.4. subject to the foregoing, the Indemnified Party shall be permitted to participate in the defense of any such Claims at its own cost and expense and the Indemnified Party's consent shall be required for any settlement involving injunctive or other equitable relief against it, its assets, employees or business, which consent shall not be unreasonably withheld or delayed; and

6.4.5. upon request by the Indemnifying Party the Indemnified Party shall, in a timely manner, provide reasonable cooperation, information, and assistance (at the Indemnifying Party's reasonable expense) in connection with the Indemnifying Party's defence or settlement of the Claim.

6.5. Limitations of Liabilities

6.5.1. Except for the breach of Section 5, neither Party shall be liable to the other Party for loss, damage, or liability in respect of loss of profits, business or revenue loss, special, indirect or consequential loss (even if foreseeable or in the contemplation of either Party).

6.5.2. SUNESIS shall be responsible for liabilities arising from errors or omissions made by it in the transmission of information to ICON, and ICON shall be entitled to assume the accuracy and lawfulness of all information transmitted to it by SUNESIS, and to rely on such information, for all purposes under this MSA.

6.5.3. ICON shall not be responsible for a failure to meet its obligations under this MSA to the extent caused by the following: (i) materially inaccurate data submitted by SUNESIS; (ii) any failure by SUNESIS to meet its obligations stated in this MSA; (iii) any failure of equipment, facilities or services not controlled or supplied by ICON. It is understood that ICON shall not be liable to SUNESIS nor be deemed to have breached this MSA for delays arising from SUNESIS's failure to timely provide such required data, documents, materials or information, in order for ICON to perform the Services in accordance with agreed upon timelines or deadlines. SUNESIS acknowledges that if such delays occur, then performance of the Services by ICON shall be extended by the length of time of such delays; provided that the Parties shall consider opportunities to limit the impact of such delay by adjusting other elements of the schedules or timelines of any affected Study.

6.5.4. In no event will ICON have any liability, whether based in contract, tort (including, without limitation, negligence) warranty or any other legal or equitable grounds as a result of data, documents, information, materials, or the like received from SUNESIS for use by ICON in the performance of the Services.

6.5.5. Save as specifically provided in this MSA, all other warranties and conditions, express or implied by law or otherwise with respect to the work and the Services are hereby excluded and each

Party hereby accepts the rights conferred by this MSA in lieu of any other such warranty condition or liability imposed by common law, statute or otherwise except in so far as such exclusion or limitation of the other Party's liability is prohibited, void or unenforceable by law.

6.6. **Maintenance of Insurance** - ICON and SUNESIS shall each at their own expense obtain and maintain insurance of a type and amount adequate to cover all loss, damage, liability, or costs with respect to which each is liable to indemnify the other under the provisions of this Section 6 and shall not do or omit any act, matter, or thing which may prejudice or render voidable any such insurance. All insurance must be provided by carriers with A.M. Best or S&P ratings of "A VII" or better.

More specifically, SUNESIS shall obtain and maintain insurance as follows:

6.6.1 Product and clinical trial liability insurance with respect to bodily injury and property damage, in a minimum amount of $10,000,000 per occurrence/annual aggregate, with such product and clinical trial liability insurance coverage continuing for a period of five (5) years following the close of the clinical trial. SUNESIS shall list ICON as an additional insured on the SUNESIS product and clinical trial liability insurance policies. Such insurance shall be in compliance with local law and legislation, as applicable.

Additionally, ICON and SUNESIS shall each obtain and maintain insurance as follows:

6.6.2 General commercial liability insurance, in a minimum amount of $1,000,000 per each occurrence, $2,000,000 in general aggregate coverage, and $1,000,000 for personal & advertising injury; and

6.6.3 Workers' compensation insurance and employers' liability insurance and shall include limits for employers' liability as follows:

Bodily injury by accident: $1,000,000 for each accident;

Bodily injury by disease: $1,000,000 for each employee; and

Bodily injury by disease: $1,000,000 policy limit; and

6.6.4 Commercial automobile liability insurance for all owned, hired and non-owned vehicles with a per accident limit of $1,000,000; and

6.6.5 Commercial umbrella liability insurance with an occurrence limit of $5,000,000; and an aggregate limit (where applicable) of $5,000,000. Such commercial umbrella liability insurance policy shall be in excess of the commercial general liability, commercial automobile liability, and employers' liability insurance policies.

6.6.6 Prior to commencement of any work under this MSA, each of ICON and SUNESIS shall, at its sole expense, maintain the required insurance on its own behalf, and shall furnish to the other Party, Certificates of Insurance evidencing same and reflecting the effective date of such coverage.

6.7 **Survival of Obligations** - The terms of this Section and the Parties' obligations hereunder shall survive termination or expiration of this MSA and the completion of ICON's Services hereunder.

7. REGULATORY MATTERS

7.1. **Regulatory Inspections** - If any Regulatory Authority (a) contacts either Party or any Investigator with respect to a Study, (b) conducts, or gives notice of its intent to conduct, an inspection at ICON or any Investigator site or (c) takes, or gives notice to either Party or any Investigator of its intent to

take, any other regulatory action alleging improper or inadequate research practices with respect to any activity of ICON, an Investigator in connection with the Services provided under this MSA, the receiving Party shall notify the other Party within five (5) business days of such contact or notice, or sooner if necessary to permit that other Party to be present at, or otherwise participate in, any such inspection or regulatory action with respect to a Study, and shall supply that other Party with all information pertinent thereto. ICON shall allow the Regulatory Authority to have direct access to the records relating to the Services, with the exception of records and reports that are not otherwise required to be disclosed, for the purpose of inspection. ICON shall provide SUNESIS with copies of all documentation issued by any Regulatory Authority in connection therewith and any proposed response thereto and any other information SUNESIS may reasonably request.

7.7.1 For the purposes of this MSA "Regulatory Authority" means any national or local agency, authority, department, inspectorate, minister, ministry official, parliament or public or statutory person (whether autonomous or not) of any government of any country having jurisdiction over either any of the activities contemplated by this Agreement including the FDA or any successor agency thereto, the European Medicines Agency (EMA), or the equivalent governmental or regulatory authority in any other country, in each case which has jurisdiction over this MSA, the Study or related protocol, or the activities of the Parties contemplated by this MSA, as the context requires.

7.2. **Debarment** - ICON represents, warrants and covenants that it is not currently using, and will not knowingly in the future use, in any capacity, in connection with the performance of the Services, the services of any person debarred or, to the best of its knowledge, proposed for debarment under 21 U.S.C. § 335(a), or otherwise subject to any restrictions or sanctions by the FDA or any other Regulatory Authority or professional body with respect to the performance of scientific or clinical investigations (a "Debarred Person"). As soon as ICON becomes aware it shall immediately notify SUNESIS in writing if any person who is performing any of the Services is or becomes a Debarred Person or if any action, suit, claim, investigation, or other legal or administrative proceeding is pending or, to the best of ICON's knowledge, threatened, that would make any person performing the Services hereunder a Debarred Person or would preclude ICON from performing its obligations under this MSA.

7.3. **Compliance** - Both Parties will comply with all applicable regulations, legislation, guidelines, etc., including, but not limited to, personal data protection obligations. For the avoidance of doubt ICON shall act in respect of personal data for any Study as the data processor, SUNESIS will at all times remain the data controller. SUNESIS warrants in particular that all necessary notifications or approvals under applicable laws, rules or regulations and especially applicable personal data protection laws, rules or regulations, shall be done or obtained according to the case, prior to the commencement of the performance of the Services which will be performed by ICON to comply with the obligations set forth by the MSA, Work Orders or related protocols.

8. GENERAL PROVISIONS

8.1. **Assignment -** This MSA and subsequent Work Orders may not be assigned by either Party without the prior written consent of the other Party, such consent not to be unreasonably withheld.

8.2. **Permitted Subcontractors**

8.2.1. ICON shall be entitled to use agents and subcontractors in the provision of the Services, provided that SUNESIS does not object to that agent or subcontractor (collectively, **"Permitted Subcontractors")**. For the avoidance of doubt an Investigator is not a subcontractor of ICON.

8.2.2. Notwithstanding the foregoing, ICON may be authorized by SUNESIS to subcontract out certain services (e.g. electronic data capture) as a result of which SUNESIS may have access to a Permitted Subcontractor's software or database or may require a license for such Permitted Subcontractor's intellectual property. SUNESIS acknowledges that it will have to comply with the access/license terms of such Permitted Subcontractor. If required, SUNESIS will execute a license agreement with such Permitted Subcontractor. However the Parties agree that, where required, SUNESIS will use Oracle ORDC to host the database.

8.3. **License** Save as is set out in each Work Order, SUNESIS warrants that it has all necessary valid and subsisting licenses and approvals for the purposes of the Studies pursuant to this MSA. ICON warrants that it has, as of the Effective Date, and shall maintain at all times during the Term, all necessary valid and subsisting licenses and approvals for the purposes of providing its services pursuant to this MSA.

8.4. **Notices -** Any notice or other communication to be given under this MSA shall be in writing and shall be sent by registered post or overnight delivery (courier) service addressed as follows:

If to SUNESIS:

Sunesis Pharmaceuticals, Inc.
Attention: Legal Affairs
395 Oyster Point Boulevard, Suite 400
South San Francisco, California 94080
U.S.A.

If to ICON to:

ICON Clinical Research Limited,
Contract Management
South County Business Park,
Leopardstown, Dublin 18,
Ireland

or to such other designation as either Party may hereafter notify the other in accordance with other provisions in this Section. Notwithstanding the foregoing, notices relating to day to-day business

communications necessary for the performance of routine duties arising under a separate Work Order shall be addressed to the appropriate individual for each Party as set forth in the applicable Work Order.

8.5. **Delivery** - All such notices or other communications shall be deemed to have been duly served on the date received as follows:

8.5.1. if delivered by hand;

8.5.2. if sent by registered or certified post, return receipt requested, postage pre-paid, three (3) business days after being postmarked; or

8.5.3. if sent by overnight delivery (courier) service, the next business day.

8.6. **Modification & Waiver** - No modification of this MSA shall be deemed effective unless in writing and signed by each of the Parties hereto, and no waiver of any right or delay in enforcing such right set forth herein shall be deemed effective unless in writing and signed by the Party against whom enforcement of the waiver is sought, nor shall any individual waiver or delay be deemed to apply beyond its express terms.

8.7. **Severability** - If any provision of this MSA or any Work Order or portion thereof is held to be unenforceable or invalid by a court of competent jurisdiction, the validity and enforceability of the enforceable portion of any such provision and/or the remaining provisions shall not be affected thereby.

8.8. **Integration of MSA** - This MSA represents the entire agreement between the Parties and supersedes all prior negotiations, representations or agreements, written or oral, regarding the terms described herein. All exhibits and appendices attached hereto shall be deemed to be fully incorporated into this MSA. Additionally, each Work Order and Change Order negotiated pursuant to this MSA is incorporated into and made part of this MSA by reference.

8.9. **Descriptive Headings** - The descriptive headings of the sections of this MSA are inserted for convenience only and shall not control or affect the meaning or construction of any provision hereof.

8.10. **Force Majeure** - Neither Party shall be liable for any failure to perform or delay *in* performing any obligations under this MSA if such failure or delay is due to fire, flood, earthquake, strike or any other industrial disturbance, war (declared or undeclared), embargo, blockade, legal prohibition, regulatory delay, drug delay, riot, insurrection or any other cause unforeseen event beyond the control of such defaulting Party preventing or delaying the performance of such obligations; provided that such obligations shall be performed immediately upon the termination of such cause and provided further that in the event of such failure or delay continuing for more than three (3) months either Party may, without incurring liability to the other, terminate this MSA or any affected Work Order immediately by written notice to the other Party.

8.11. **Use of Name -** Each Party, on behalf of itself, its employees and agents, agrees not to use the name of the other Party or its employees or agents in any publication, promotional material or other written or oral statement for public distribution, relative to the subject matter or existence of this MSA, except as otherwise required by applicable law, regulations, guidelines and standards or previously consented to in writing by the other Party.

8.12. **Governing Law -** This MSA shall in all respects (including the formation thereof and performance thereunder), be governed by and construed in accordance with the laws in force in the United States of America] and the Parties hereto agree to submit to the exclusive jurisdiction of the courts of the State of New York without regards to conflicts of law provisions,

8.13. **Counterparts -** This MSA may be executed in two (2) counterparts each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. This MSA shall not be binding until ICON receives a signed original from SUNESIS.

8.14. **Survival -** The expiration or earlier termination of this MSA, (howsoever caused) shall not affect any of the terms, provisions, representations or warranties hereof which are expressed to continue after such expiration or termination, nor shall any such expiration or termination affect the rights or obligations of either Party hereto in respect of any antecedent breach of this MSA.

8.15. **"Including" (and with correlative meaning "include") -** means including without limiting the generality of any description preceding such term.

9. DISPUTE RESOLUTION

Dispute Resolution - The appropriate contract managers or other designated individuals representing both Parties shall meet and attempt in good faith to settle any dispute, claim or controversy arising out of or relating to the interpretation, performance or breach of this MSA (the **"Dispute").** However, if the contract managers fail to resolve the Dispute within ten (10) business days (the **"Initial Period")**, then such Dispute shall be referred for resolution to a designated senior executive of each Party who has the authority to settle the Dispute but who is not directly involved in the Dispute. At the conclusion of the Initial Period, the disputing Party invoking this dispute resolution procedure shall give written notice to the other Party and such Party shall, within (10) business days submit a written response to the disputing Party. The notice and response shall include: (i) a statement of that Party's position and a summary of evidence and arguments supporting its position; and (ii) the name and title of the senior executive who shall represent the Party. The designated senior executive of each Party shall attempt in good faith to settle such Dispute within thirty (30) days from the date the disputing Party receives the above written response. Notwithstanding anything herein to the contrary, nothing in this Section 9 shall preclude either Party from seeking interim or provisional relief, including, without limitation, a temporary restraining order, preliminary injunction or other interim equitable relief concerning a Dispute if necessary to protect the interests of such Party.

IN WITNESS WHEREOF, the Parties hereto have caused this MSA to be duly executed by their authorized representatives as of the dates written below.

	SUNESIS PHARMACEUTICALS, INC.		**ICON CLINICAL RESEARCH LIMITED**
Date:	28 June 2010	Date:	15/July/2010
Signed:	Steven B. Ketchum	Signed:	Conn Connolly
Name:	Steven B. Ketchum, Ph.D.	Name:	CONN CONNOLLY
Title:	SVP, Research & Development	Title:	VP Global Contracts.

ATTACHMENT A
WORK ORDER

WHEREAS:

I. Sunesis Pharmaceuticals, Inc. ("SUNESIS") and ICON Clinical Research Limited have entered into a Master Services Agreement dated [XXX] 20[XX] (the "MSA"). SUNESIS [or Name of SUNESIS Affiliate] enters into this Work Order ("WO") with [Name of ICON Affiliate] ("ICON") pursuant to the MSA, and is effective as of the __ day of <Month>, <Year> (the "WO Effective Date").

II. Except as modified by this WO, the terms and conditions of the MSA are incorporated herein by reference and shall govern the performance of the parties' duties under this WO. In the event of any inconsistency between this WO and the MSA, the terms of the MSA shall govern, [*optional* except with respect to Section __ of the MSA, which Section is expressly amended by Section __ of this WO solely for purposes of this WO.]

III. All capitalized terms not defined in this WO shall have the meanings applicable in the MSA.

THE PARTIES AGREE AS FOLLOWS:

1. **Protocol**. The Study to be performed is entitled "_____, No. _____" and is set forth in the Protocol which is incorporated herein by reference. For purposes of this WO, the Study drug for the Study is defined as _____.

2. **ICON Services**. The Services to be performed by ICON for the Study are set forth in detail in the ICON Project Specifications document attached as Exhibit A.

3. **Fees & Costs**. The agreed ICON Fees and associated costs (including Pass Through Costs and other costs) are set out in Exhibit B.

4. **Payment Schedule**. SUNESIS shall pay ICON in respect of the Services in accordance with the Payment Schedule and terms set forth in the attached Exhibit C.

5. **Project Activities**. SUNESIS hereby transfers to ICON and ICON hereby assumes all the obligations of SUNESIS as the sponsor of the Study as set forth in the [attached Exhibit D or Cost Proposal] attached. SUNESIS shall retain the right to assume any of the duties delegated to ICON at any time and the Services and Exhibits shall be adjusted accordingly.

6. **Term**. This WO shall take effect as of the WO Effective Date set forth above and shall be completed when all of the Services are fully performed in accordance with Exhibit A, unless terminated earlier or extended pursuant to the MSA.

7. **Notices**. Notices relating to this WO shall be delivered in accordance with the MSA and addressed as follows:

CLIENT: _____

_____

Facsimile: _____

ICON: _____

_____

Facsimile: _____

8. **Invoices**. All ICON invoices should be forwarded to SUNESIS as follows:

Via Electronic Mail sent to (preferred method)
<Email Address of the primary contact for Sunesis>

With a copy to SUNESIS' Accounting Dept: AP@sunesis.com

Via Mail
Sunesis Pharmaceuticals, Inc.
395 Oyster Point Boulevard, Suite 400
South San Francisco, CA 94080, USA
Attention: <Sunesis primary contact name, title, email & contact numbers>

[Need client name, phone fax, and email for A / R follow- up.
Add payment information here – wire address, lock box address.]

Include any other terms and conditions that may be required which are specific to this study, e.g., identifying the parties to any project-related vendor, subcontractor, or site agreements. Some examples are provided below:

9. **Exhibits**. The Exhibits attached hereto form an integral part of this WO and are hereby incorporated in this WO.

10. **Entire Agreement**. With respect to the Services performed under this WO, this WO, including the attached Exhibits, and the MSA contain the entire agreement of the parties hereto. Any modifications to this WO must be in writing and signed by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this WO on the day and year last written below.

Sunesis Pharmaceuticals, Inc.		**[Correct ICON entity]**	
Date:	_____	Date:	_____
Signed:	_____	Signed:	_____

Name: _____ Name: _____

Title: _____ Title: _____

EXHIBITS to WO

A - ICON SERVICES
B - FEES & COSTS
C - PAYMENT SCHEDULE
D - TRANSFER OF OBLIGATIONS/TOM

ATTACHMENT B
CHANGE ORDER MANAGEMENT PLAN (COMP)

Each Work Order shall have a Change Order Management Plan (COMP) agreed. When out of scope (OOS) work for a Study is recognized by either ICON or a SUNESIS team member, ICON and SUNESIS will proceed in the determination of the affected budget items under the applicable Work Order according to the following process.

1. ICON will generate a Change Notification Form (CNF), in the format of the attached forms, and forward to SUNESIS' primary contact for the Study. The CNF formalizes the request and allows SUNESIS to consider OOS work in terms of time and cost. Either a CNF or a formal Change Order to the applicable Work Order for the OOS work must be approved in writing by SUNESIS prior to ICON beginning such additional work.
2. The SUNESIS primary contact, and/or a representative with appropriate authorization to approve the estimated cost of the OOS work, shall promptly review the CNF and approve/sign the CNF or request that a formal Change Order be processed.
3. Approved CNFs can be processed in a formal Change Order immediately, or tracked and processed in a formal Change Order in accordance with the applicable Work Order's COMP, but no less frequently than once per calendar quarter or when changes in the amount of 2% of the approved study budget have been accumulated.

The CNF shall offer the following choices to SUNESIS:

a) Authorize ICON to start the identified OOS work immediately, and SUNESIS agrees to incur such costs up to an amount indicated on the signed CNF, while a formal Change Order to the applicable Work Order is being negotiated; or

b) Request from ICON a cost estimate for the OOS work in a format consistent with the current approved Study budget. ICON will not start any OOS work until SUNESIS has evaluated the request and cost estimate, and has formally approved the request via a signed CNF or Change Order; or

c) Authorize ICON to proceed with the OOS work in accordance with the signed CNF. ICON will log this OOS work in a Change Order Log. ICON will generate a formal Change Order document in accordance with the guidelines indicated in the study-specific COMP, but no less frequently than once per calendar quarter or when changes in the amount of 2% of the approved study budget have been accumulated; or

d) Request ICON not to proceed with the OOS work outlined in the COMP and CNF.

F:\BD_CONTRACTS
GROUP FILES\Sunesis

CHANGE ORDER MANAGEMENT PLAN (COMP)

The purpose of the COMP is to facilitate discussion and agreement between ICON and the Sponsor Company in a timely and accurate manner with regard to the management and agreement of Out of Scope contract activity.

ICON's expectation of the COMP is that ICON will not begin work on any Out of Scope activity until the necessary documentation is in place in accordance to the agreed upon COMP with the Sponsor Company.

Study Identification

Protocol Number	
Sponsor Study Number	
ICON Study Number	
Sponsor Project Manager	
ICON Project Manager	
Sponsor Outsourcing Manager	
ICON Contract Analyst	
ICON Account Executive	
MSA Dates (if applicable)	Start Date: End Date:
Contract /Work Order Effective Date	

Plan Details

A. **Communication Plan**	
1. Type	
2. Frequency	
3. Attendees	
4. Chair	
5. Principle agenda items	

B. **Change Order Log (COL)**			
1.	Frequency	*Monthly*	
2.	ICON person who will submit COLs to Sponsor	*(Name)*	*(Title)*
3.	Sponsor person accountable for receipt of COLs	*(Name)*	*(Title)*
4.	ICON and Sponsor personnel to receive COL	*(Name)* *(Name)* *(Name)* *(Name)*	*(Title)* *(Title)* *(Title)* *(Title)*
5.	Sponsor person accountable for approval of COLs	*(Name)*	*(Title)*
6.	COL reviews with Sponsor	Type Frequency Attendees	

C. **Change Orders (COs)**			
1.	Confirm the template document to be used, bidgrid format agreed etc. *(Attach blank template(s), where appropriate)*		
2.	ICON person who will submit COs to Sponsor.	*(Name)*	*Contract Analyst*
3.	Timeline for submission of CO by ICON	*[Default £ XX working days from signed CNF or equivalent]*	
4.	Sponsor person accountable for receipt of COs.	*(Name)*	*(Title)*
5.	ICON and Sponsor personnel to receive CO.	*(Name)* *(Name)* *(Name)* *(Name)*	*(Title)* *(Title)* *(Title)* *(Title)*
6.	Sponsor person accountable for approval of CO.	*(Name)*	*(Title)*

7. Sponsor turnaround timeline for review of 1st draft of CO.	
8. ICON timeline for submission of final CO for signature.	*[Default £ XX working days from receipt of Sponsor comments]*
9. Sponsor timeline for CO execution.	*[Default £ XX working days from receipt of final CO]*
10. Frequency for receipt of COs by Sponsor *(eg monthly, $ value).*	

D. **Escalation Process**	
Indicate the process(es) to be followed if there is a material change to any of the above timelines.	

Any change to the personnel named in this COMP will require notification to the other party within ten (10) business days. The COMP will be revised to note the personnel change and distributed to all parties involved.

AGREEMENT TO THIS PLAN:

Signed On Behalf of Sponsor:
Name:
Title:
Date:

Signed On Behalf of ICON:
Name:
Title:
Date:

CHANGE NOTIFICATION FORM (CNF) **CNF#____**	
Date of Request:	**Requested by:** ☐ ICON ☐ Sunesis
Sunesis Protocol Number:	
Sunesis Project Manager: _____ **ICON Project Manager: _____**	
Description of the scope of change(s), and any anticipated impact to project timeline. Include start and stop dates for the new work being proposed. Attach documentation if necessary.	
Sunesis Approval (Check one): ☐ Sunesis authorizes ICON to begin work immediately, up to $_____, (inclusive of Fees and Expenses) on the above request. ICON will provide a full cost estimate for this request within ten (10) days of receipt of CNF. ☐ ICON will not begin work on the above request until receipt of an executed Change Order from Sunesis. ICON will provide a full cost estimate for this request within ten (10) days of receipt of CNF. ICON and Sunesis will negotiate the Change Order and any applicable attachments. ☐ ICON is requested to commence with the above detailed work immediately. ICON is requested to add this work to the Log Sheet, as item #____. ☐ Sunesis does not want ICON to proceed with the commencement of the above work under any conditions.	

Service Provider Signature / Date	Sponsor Authorized Signature / Date
Print Name and Title	Print Name and Title
[Telephone #]	[Telephone #]
[Fax #]	[Fax #]

Sunesis will not be obligated to reimburse ICON for Fees or Expenses associated with scope change(s) that are not approved by Sunesis with a CNF or formal Change Order.

ICON-CLIENT NAME
CHANGE ORDER LOG
ICON PROJEC Insert ICON Project Number
CLIENT NUMI Insert Client Number/Reference

Date Submitte 20-Feb-09

ICON Project Insert ICON Project Manager Name
Client Contact Insert Client Contact Name

Currency

			DESCRIPTION APPROVAL			ESTIMATED COSTS				FINAL COSTS			
Change Order #	Description of Change	Requested by	Decision (Agree, Denied, Under Discussion) Decision	Client Operations Approval (Name/ Date) Last Name /DD-MO-Year	Client Outsourcing Approval (Name/Date) Last Name /DD-MO-Year	Direct Fees	Pass Through	Investigator Grants	Total	Direct Fees	Pass Through	Investigator Grants	Total
Original Contract/Work Order Value:										**0.00**	**0.00**	**0.00**	**0.00**
1.1									0.00			0.00	0.00
1.2									0.00				0.00
Change Order #1 Total						**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
2.1									0.00				0.00
2.2									0.00				0.00
Change Order #2 Total						**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
3.1									0.00				0.00
3.2									0.00				0.00
Change Order #3 Total						**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Revised Contract/Work Order Value:						**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

	COSTS APPROVAL			
Change Order #	Decision (Agree, Denied, Under Discussion) Decision	Client Operations Approval (Name/Date) Last Name /DD-MO-Year	Client Outsourcing Approval (Name/ Date) Last Name /DD-MO-Year	Comments
Original Contract/Work Order Value:				
1.1				
1.2				
Change Order #1 Total				
2.1				
2.2				
Change Order #2 Total				
3.1				
3.2				
Change Order #3 Total				
Revised Contract/Work Order Value:				

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-164025, 333-166366 and 333-168191) and related Prospectuses, and the Registration Statements on Form S-8 (Nos. 333-128647, 333-132679, 333-138758, 333-145404, 333-150834 and 333-160528) pertaining to the 1998 Stock Plan, 2001 Stock Plan, 2005 Equity Incentive Award Plan, Amended and Restated 2006 Employment Commencement Incentive Plan and Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc., of our report dated March 29, 2011, 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, 2010.

/s/ Ernst & Young LLP

Palo Alto, California
March 29, 2011

Exhibit 31.1

CERTIFICATION

I, Daniel N. Swisher, Jr., 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 29, 2011

/S/ DANIEL N. SWISHER, JR.
Daniel N. Swisher, Jr.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Eric H. Bjerkholt, 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 29, 2011

/S/ ERIC H. BJERKHOLT
Eric H. Bjerkholt
Senior Vice President, Corporate Development and Finance, Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

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), Daniel N. Swisher, Jr., Chief Executive Officer of Sunesis Pharmaceuticals, Inc. (the "Company"), and Eric H. Bjerkholt, Chief Financial Officer of 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, 2010, to which this Certification is attached as Exhibit 32.1 (the "Annual Report") 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.

In Witness Whereof, the undersigned have set their hands hereto as of the 29th day of March, 2011.

/S/ DANIEL N. SWISHER, JR.	/S/ ERIC H. BJERKHOLT
Daniel N. Swisher, Jr.	Eric H. Bjerkholt
Chief Executive Officer	*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.