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, 2011
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, 2011, as reported by The Nasdaq Stock Market, was $67,451,642. The calculation of the aggregate market value of voting and non-voting stock excludes 14,440,221 shares of the registrant's common stock held by current executive officers, directors and stockholders that the registrant has concluded are affiliates of the registrant. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

The total number of shares outstanding of the registrant's common stock, $0.0001 par value per share, as of March 1, 2012, was 46,820,107.

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 2012 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, 2011.

SUNESIS PHARMACEUTICALS, INC.

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report, including the information we incorporate by reference, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which involve risks, uncertainties and assumptions. All statements, other than statements of historical facts, are "forward-looking statements" for purposes of these provisions, including without limitation any statements relating to our strategy, including our plans with respect to unblinding the VALOR trial, the planned interim analysis of the VALOR trial, 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 solid and hematologic cancers. Our efforts are currently focused primarily on the development of vosaroxin for the treatment of acute myeloid leukemia, or AML. 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. AQDs have been shown to mediate anti-tumor activity by targeting mammalian topoisomerase II, an enzyme critical for cell replication. We have built a highly experienced cancer drug development organization committed to advancing vosaroxin in multiple indications to improve the lives of people with cancer.

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 has an adaptive design and is based on data from our Phase 2 clinical trial of vosaroxin in combination with cytarabine in relapsed or refractory AML, together with guidance received from both U.S. and European regulatory agencies.

The VALOR trial is designed to have a 90% probability of detecting a 40% difference in overall survival, and includes a single pre-specified interim analysis by the independent Data and Safety Monitoring Board, or DSMB, which is expected to occur in the third quarter of 2012. The DSMB will examine pre-specified efficacy and safety data sets and decide whether to (i) stop the trial early for efficacy or for futility; (ii) continue the study to its planned unblinding, which is expected in mid-2013 in this event; or (iii) recommend a one-time sample size adjustment if deemed beneficial to maintain adequate statistical power across a range of clinically meaningful and statistically significant outcomes. In this event, trial unblinding is expected in early 2014.

We are also completing data analysis in preparation for database lock for 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 relapsed or refractory AML, and (b) a Phase 2 trial in previously untreated patients age 60 years or older with AML, or REVEAL-1, which explored three dose schedules. In addition, we completed a Phase 2 single-agent trial of vosaroxin in patients with platinum-resistant ovarian cancer in 2010, which explored three doses and two different schedules of vosaroxin.

In December 2011, we announced our participation in a Phase 2/3 randomized, controlled, multi-center trial evaluating novel treatment regimens against low-dose cytarabine, or LD Ara-C, in patients older than 60 years with AML or high-risk myelodysplastic syndrome, or MDS. This trial, known as the Less Intensive 1, or LI-1 Trial, is being conducted by the United Kingdom's National Cancer Research Institute, or NCRI, Haematological Oncology Study Group under the sponsorship of Cardiff University and the direction of Professor Alan K. Burnett. In March 2012, the first patient was enrolled in this trial.

The LI-1 Trial employs a "Pick a Winner" randomized progressive design to efficiently evaluate a number of investigational treatments versus LD Ara-C, as described by Hills and Burnett in the journal Blood, 2011;118(9):2389-94. Two regimens containing vosaroxin have been selected as investigational treatment arms in this study. These regimens and other novel treatments will be evaluated in a randomized Phase 2 portion of the trial, with key endpoints including complete remission, 12-month survival, and overall survival. Treatment arms exhibiting promising results on the basis of these endpoints may continue to enroll patients in a Phase 3 portion of the trial with a primary endpoint of overall survival.

We own worldwide development and commercialization rights to vosaroxin. In 2009, the U.S. Food and Drug Administration, or FDA, granted orphan drug designation to vosaroxin for the treatment of AML. 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 have been granted, or notified of allowance of, a number of key patents for vosaroxin, details of which are provided in the Intellectual Property section below.

In March 2011, we entered into three agreements as part of a series of agreements between Biogen Idec MA Inc., or Biogen Idec, Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited, or Millennium, and ourselves, (details of milestone and royalty payments, as well as development and promotion rights, are provided in the Outlicense and Collaboration Agreements section below):

- A license agreement with Millennium, or the Millennium Agreement, pursuant to which we granted Millennium exclusive licenses for the development of our oral, selective pan-Raf kinase inhibitor and one additional undisclosed kinase inhibitor program in oncology that were previously a part of our August 2004 collaboration agreement with Biogen Idec, or the Original Biogen Idec Agreement. In September 2011, we announced that Millennium had initiated a Phase 1 clinical study of an oral investigative drug selective for pan-Raf kinase inhibition, MLN2480, licensed to them under this agreement.

- An amendment and restatement of the Original Biogen Idec Agreement, or the Restated Biogen Idec Agreement, to provide for the discovery, development and commercialization of small molecule inhibitors of a unique preclinical kinase inhibitor program involved in immunology.

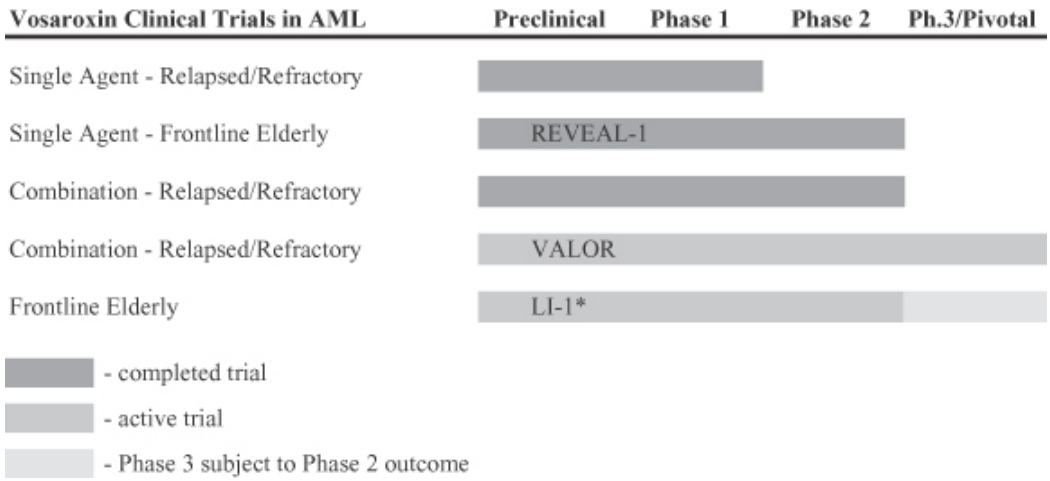
- A termination and transition agreement with Biogen Idec and Millennium, which provides for the termination of Biogen Idec's exclusive rights under the Original Biogen Idec Agreement to all discovery programs under such agreement other than a preclinical kinase inhibitor program involved in immunology, the permitted assignment of assets and rights to Millennium as provided in the Millennium Agreement, and an upfront, non-refundable payment to us.

Vosaroxin

Vosaroxin is a first-in-class AQD—a class of compounds that has not been used previously for the treatment of cancer. AQDs 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 exhibited 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., or Dainippon, in 2003.

Vosaroxin Clinical Trials in AML

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



* Sponsored by Cardiff University, and being conducted by the NCRI Haematological Oncology Study Group

In December 2011, we announced our participation in the LI-1 Trial, a Phase 2/3 randomized, controlled, multi-center trial evaluating a number of novel treatment regimens against LD Ara-C in patients over the age of 60 years with AML or high-risk MDS who are not candidates for intensive chemotherapy. Several treatments, including two regimens containing vosaroxin, will be evaluated in a randomized Phase 2 design with key endpoints including complete remission, or CR, 12-month survival, and overall survival. Treatment arms exhibiting promising results on the basis of these endpoints may continue to enroll in a Phase 3 portion of the trial with a primary endpoint of overall survival. In March 2012, the first patient was enrolled in this trial.

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 to evaluate overall survival in patients with relapsed or refractory AML. The trial has an adaptive design and is based on data from our

Phase 2 clinical trial of vosaroxin in combination with cytarabine in relapsed or refractory AML, together with guidance received from U.S. and European regulatory agencies. We expect to enroll 450 evaluable patients in the VALOR trial at more than 100 study sites in the U.S., Canada, Europe, Australia and New Zealand. The trial is designed to have a 90% probability of detecting a 40% difference in overall survival, and includes a single pre-specified interim analysis by the DSMB, which is expected to occur in the third quarter of 2012. The DSMB will examine pre-specified efficacy and safety data sets and decide whether to: (i) stop the trial early for efficacy or for futility; (ii) continue the study to its planned unblinding; or (iii) recommend a one-time sample size adjustment of 225 additional evaluable patients if deemed beneficial to maintain adequate statistical power across a range of clinically meaningful and statistically significant outcomes. In December 2011, we announced that the DSMB had completed a planned periodic safety review and recommended that the trial continue as planned without changes to study conduct.

In January 2010, we completed enrollment in the Phase 2 portion of a Phase 1b/2 clinical trial of vosaroxin in combination with cytarabine in patients with relapsed or refractory AML and we are currently completing data analysis in preparation for database lock. The trial is designed to evaluate the safety, pharmacokinetics and anti-leukemic activity of escalating doses of vosaroxin administered in combination with cytarabine given either as a continuous intravenous, or IV, infusion or a two-hour IV infusion. A pooled set of 69 patients with first relapsed (n=36) or primary refractory (n=33) AML were evaluated for efficacy outcomes. The median overall survival was 7.1 months, the CR rate was 25%, and the combined complete remission rate was 28% including CR, CR without full platelet recovery, or CRp, and CR with incomplete recovery, or CRi. The median leukemia-free survival was 25 months, and 26% of patients in the Phase 2 portion received hematopoietic stem cell transplants. The two regimens of vosaroxin in combination with cytarabine were generally well tolerated. The most common severe non-hematologic toxicities were related to infections. Severe stomatitis or oral mucositis was observed in 16% of patients, and was manageable with standard supportive care. All-cause mortality was low, at 3% at 30 days and 9% at 60 days.

In October 2009, we completed enrollment in a Phase 2 single-agent clinical trial of vosaroxin in previously untreated patients aged 60 years or older with AML and we are currently completing data analysis in preparation for database lock. 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, 5.7, 7.7 and 5.5 months, and one-year survival was 38%, 31%, 38% and 25%, in Schedules A, B, and C (72 mg/m^2) and C (90 mg/m^2), respectively. Based on these results and the safety profile, vosaroxin 72 mg/m^2 administered on days one and four (Schedule C) was determined to be the recommended dose regimen. For this schedule, the CR plus CRp rate was 35% and 30-day all-cause mortality was 7%.

Prior to 2009, we conducted a Phase 1 clinical trial to evaluate safety, pharmacokinetics, and preliminary clinical activity of two dose schedules of vosaroxin in patients with relapsed or refractory acute leukemia. Anti-leukemic activity was observed in both schedules, and the most common dose-limiting toxicity was stomatitis. The maximum tolerated dose was 72 mg/m^2 for the once weekly for three weeks schedule and 40 mg/m^2 for the twice weekly for two weeks schedule.

Vosaroxin Clinical Trials in Ovarian Cancer and Other Solid Tumors

In mid-2010, we completed a Phase 2 single-agent trial of vosaroxin in platinum-resistant ovarian cancer. Three doses in two schedules of vosaroxin were studied:

- 48 mg/m^2 given every three weeks (n=65)
- 60 mg/m^2 given every four weeks (n=37)
- 75 mg/m^2 given every four weeks (n=35)

Encouraging, durable anti-tumor activity was observed across all doses. For patients treated with 48, 60 and 75 mg/m^2, respectively, the overall response rate, or ORR, was 11%, 11% and 9%, respectively; disease control, defined as stable disease for 12 weeks or more, was 46%, 46% and 51%, respectively; and the median progression-free survival, or PFS, was 83, 61 and 103 days, respectively. Based on clinical activity and tolerability, the 60 mg/m^2 dose and schedule was selected for future consideration. Overall, vosaroxin was generally well tolerated, with more than 10% of patients experiencing severe neutropenia, febrile neutropenia, fatigue, and anemia.

Prior to 2009, we conducted two Phase 1 clinical trials to evaluate different dosing schedules of vosaroxin in patients with advanced solid tumors. We also conducted two Phase 2 studies in non-small cell lung cancer and small cell lung cancer. Although objective responses were observed in both lung cancer studies, it was determined that vosaroxin could be administered with greater dose intensity given the low incidence of severe neutropenia. The studies were halted and we may consider future vosaroxin studies in lung cancer or other solid tumors, as well as in hematologic malignancies.

Inlicense Agreement

In October 2003, we entered into an agreement with Dainippon to acquire exclusive worldwide development and marketing rights for 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 U.S., 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 will become payable to Dainippon.

The agreement also provides for royalty payments to Dainippon at rates 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.

Outlicense and Collaboration Agreements

Overview

Over the past three years, we have generated revenue primarily through license and collaboration agreements with Biogen Idec, Millennium, and SARcode Bioscience, Inc., or SARcode. In 2009, we recorded revenues of $1.5 million related to a collaboration agreement with Biogen Idec and $2.0 million from the sale of previously-licensed intellectual property to SARcode, which represented 40% and 53% of annual revenues, respectively. In 2011, we recorded revenues of $4.0 million related to a license agreement with Millennium and $1.0 million due to the repayment of three promissory notes by SARcode, which represented 80% and 20% of annual revenues, respectively.

Biogen Idec and Millennium

In August 2004, we entered into the Original Biogen Idec Agreement 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. Pursuant to the terms of the Original Biogen Idec 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 received a total of $3.0 million in milestone payments for meeting certain preclinical milestones through March 2011, 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.

In March 2011, we entered into three agreements as part of a series of agreements between Biogen Idec, Millennium and ourselves:

- The Millennium Agreement, pursuant to which we granted Millennium exclusive licenses for the development of our oral, selective pan-Raf kinase inhibitor and one additional undisclosed kinase inhibitor program in oncology that were previously a part of the Original Biogen Idec Agreement. Under this agreement, we may in the future receive up to $59.3 million in pre-commercialization milestone payments related to the development of the first two indications for each of the licensed products directed against the two exclusively licensed targets, and royalty payments depending on future product sales. The agreement also provides us with future co-development and co-promotion rights. In September 2011, we announced that Millennium had initiated a Phase 1 clinical study of an oral investigative drug selective for pan-Raf kinase inhibition, MLN2480, which was licensed to them under this agreement.

- The Restated Biogen Idec Agreement, to provide for the discovery, development and commercialization of small molecule inhibitors of a unique preclinical kinase inhibitor program involved in immunology. Under this agreement, we continue to be eligible to receive up to $60.0 million in pre-commercialization milestone payments related to the development of the first two indications for licensed products against the specified immunology target, and royalty payments depending on future product sales. We also retain future co-development and co-promotion rights.

- A termination and transition agreement with Biogen Idec and Millennium, which provides for the termination of Biogen Idec's exclusive rights under the Original Biogen Idec Agreement to all discovery programs under such agreement other than a preclinical kinase inhibitor program involved in immunology, the permitted assignment of assets and rights to Millennium as provided in the Millennium Agreement, and the upfront, non-refundable payment of $4.0 million to us as consideration for the above, which was received in April 2011.

SARcode

In March 2006, we licensed our LFA-1 patents and related know-how to SARcode, a privately-held biopharmaceutical company. In March 2009, the license agreement was terminated and SARcode paid us $2.0 million in cash for this intellectual property, which was recorded as revenue in April 2009. Following the termination of the license agreement, SARcode fully satisfied its obligations to us and we have no further rights to the intellectual property transferred to SARcode. In August 2011, SARcode repaid three promissory notes that had been issued to us upon entering into the original license agreement. The total amount received was $1.2 million, which comprised the aggregate principal value of the three notes of $1.0 million, plus $0.2 million of accrued interest, which we recorded as revenue and interest income, respectively, upon receipt.

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. 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 at least five contract manufacturers in North America have suitable facilities to manufacture the vosaroxin API, and at least four have suitable facilities to manufacture the vosaroxin FDP. A number of manufacturers outside of North America have suitable facilities, including one that currently manufactures our vosaroxin API. 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 API and FDP may need to be manufactured and released to support our VALOR trial, and for stability assessments required for regulatory approval. Prior to approval for commercial sale, we will need to manufacture registration batches of API and FDP, which will be accompanied by process validation studies, and will require FDA review prior to approval. If the results of these process validation studies do not meet preset criteria, the regulatory approval or commercial launch of vosaroxin may be delayed.

The cytarabine used in our VALOR trial is procured from third-party distributors. Cytarabine has recently been in short supply throughout the world. Additional procurement of cytarabine will be necessary to complete the VALOR trial if there is a sample size adjustment based on the pre-specified interim analysis by the DSMB.

Competition

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

We 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 currently used for AML, such as nucleoside analogs, anthracyclines, hypomethylating agents, Flt-3 inhibitors, other inhibitors of topoisomerase II, and other novel agents. Additionally, other compounds currently in development could become potential competitors of vosaroxin, if approved for marketing. We expect competition with vosaroxin for the treatment of AML to increase as additional products are developed and approved for use in various patient populations.

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 No. 5,817,669 and its counterpart patents in 43 foreign jurisdictions. This patent is due to expire in October 2015, and most of its foreign counterparts are due to expire in June 2015. While it is possible that patent term restoration and/or supplemental patent certificates would be available for these or other patents we own, we cannot guarantee that such additional protection will be obtained.

We have been granted, or notified of allowance of, a number of additional key patents for vosaroxin, as follows:

- In December 2009, the European Patent Office, or EPO, granted us a patent covering combinations of vosaroxin with cytarabine, which is due to expire in 2025 and has been validated in multiple EPC member states. In June 2011, the U.S. Patent and Trademark Office, or USPTO, granted us a patent in the same family, which is due to expire in 2026. In March 2011, Australia also granted us a patent in this family, which is due to expire 2025. Corresponding applications are pending in other major markets, including Japan and Canada.
- In November 2010, the USPTO granted us a patent covering pharmaceutical compositions of vosaroxin, including the formulation used in our VALOR trial. This patent is due to expire in 2025. In January 2011, the EPO granted us a patent in the same family, which has been validated in multiple European Patent Convention, or EPC, member states. In September 2011, Australia also granted us a patent in this family. These patents are due to expire in 2025. Corresponding applications are pending in other major markets, including Japan and Canada.
- In August 2011, the USPTO granted us a patent covering methods of use of vosaroxin at clinically relevant dose ranges and schedules for the treatment of leukemia. This patent is due to expire in 2026. Corresponding applications are pending in other major markets, including Europe, Japan, Australia and Canada.
- In February 2012, the USPTO granted us a patent covering certain vosaroxin hydrate forms, which is due to expire in 2028. Corresponding applications are pending in other major markets, including Europe, Japan, Australia and Canada.
- In February 2012, the USPTO mailed a notice of allowance for a patent application covering certain compositions related to vosaroxin. We expect that this patent will be granted in 2012, and that it will be due to expire in 2030. Corresponding patent applications are pending in the U.S. and internationally.

As of December 31, 2011, approximately 106 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 be issued in the future may be opposed, challenged, invalidated or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages.

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.

In October 2009, the FDA granted orphan drug designation to vosaroxin for treatment of AML. The United States Orphan Drug Act promotes the development of products that demonstrate promise for the diagnosis and treatment of diseases or conditions that affect fewer than 200,000 people in the United States. Upon receipt

of orphan drug designation from the FDA, the sponsor is eligible for tax credits of up to 50% for qualified clinical trial expenses, the ability to apply for annual grant funding, waiver of Prescription Drug User Fee Act, or 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, Millennium, or our potential future licensees or collaboration partners, if any, may not result in FDA authorization to commence a clinical trial.

Clinical Trials

Clinical trials involve the administration of an investigational drug to healthy volunteers or to patients under the supervision of a qualified principal investigator. Clinical trials are conducted in accordance with the FDA's Protection of Human Subjects regulations and Good Clinical Practices, 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 12 months (under the latest Prescription Drug User Fee Act goals, a 10-month review period begins at the conclusion of the 60-day filing review period that begins on the date of FDA receipt of the submission), 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, Millennium, or our potential future licensees or 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 Fee 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, under Prescription Drug User Fee Act V, review within eight months from the time a complete NDA is accepted for filing (a six-month review period begins at the conclusion of the 60-day filing review period that begins on the date of FDA receipt of the submission), 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, Biogen Idec, Millennium, or our potential future licensees or collaboration partners, if any, pursuant to FDA approvals are subject to continuing regulation by the FDA, including recordkeeping requirements and reporting of adverse experiences associated with the drug. Drug manufacturers and their subcontractors are required to register with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing

regulatory requirements, including cGMPs, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action or possible civil penalties.

The FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. A company can make only those claims relating to safety and efficacy that are approved by the FDA. 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 enrolling 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 $22.6 million, $14.4 million and $13.2 million of research and development expenses in 2011, 2010 and 2009, 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 collaboration agreements. 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, 2011, our workforce consisted of 31 full-time employees. Of our total workforce, 21 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 $44.1 million in cash and investments as of December 31, 2011, we currently have the resources 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 or unblinding does not occur within the currently anticipated timeframe and we are unable to raise sufficient additional capital to cover such additional costs, 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.

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 timing, economic and other terms of any licensing, collaboration or other similar arrangement into which we may enter;
- the costs and timing of seeking and obtaining FDA 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, if any, of supporting our arrangements with Biogen Idec and Millennium or any potential future licensees or partners.

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 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, 2011, 2010 and 2009 were $20.1 million, $24.6 million and $40.2 million, respectively. As of December 31, 2011, we had an accumulated deficit of $401.1 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 & Co., Inc. and Johnson & Johnson Pharmaceutical Research & Development LLC. On March 31, 2011, the only remaining collaboration agreement, which was with Biogen Idec, was amended and restated to provide for the discovery, development and commercialization of small molecule inhibitors of a unique preclinical kinase inhibitor program involved in immunology. Concurrently, we entered into a license agreement with Millennium, under which we granted Millennium exclusive licenses for the development of our oral, selective pan-Raf kinase inhibitor and one additional undisclosed kinase inhibitor program in oncology. While we are entitled to certain milestone and royalty payments under each of the Restated Biogen Idec Agreement and Millennium Agreement, we cannot predict whether we will receive any such payments under these agreements in the foreseeable future, or at all. Additionally, the research phase of the Original Biogen Idec Agreement was terminated as of June 30, 2008; we do not have research obligations under the Restated Biogen Idec Agreement and we do not anticipate receiving any research revenue under the Restated Biogen Idec Agreement in the future. Moreover, 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 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, including the VALOR trial, could 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 the 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. 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 by 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 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. Three additional lots of API have been manufactured using this improved process, and four lots of FDP have been successfully manufactured using the API resulting from the improved process. All FDP lots made with the new API have passed quality testing and have been released for use in the VALOR trial. All lots have been placed on an International Committee on Harmonization, or ICH, compliant stability program. 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 the 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, the failure of our contract manufacturers to achieve and maintain high manufacturing standards in compliance with cGMP regulations could result in other manufacturing errors leading to patient injury or death, product recalls or withdrawals, delays or interruptions of production or failures in product testing or delivery. Although contract manufacturers are subject to ongoing periodic unannounced inspection by the FDA 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 may need to be manufactured and released to support our VALOR trial, and for 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 approval for commercial sale, we will need to manufacture registration batches of API and FDP, which will be accompanied by process validation studies, and will require FDA review prior to approval. If the results of these process validation studies do not meet preset criteria, the regulatory approval or commercial launch of vosaroxin may be delayed.

We rely on third-party distributors for the supply of cytarabine for our VALOR trial. Cytarabine has recently been 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 has recently been in short supply throughout the world. Additional procurement of cytarabine will be necessary to complete the VALOR trial if there is a sample size adjustment based on the pre-specified interim analysis by the DSMB. If we are unable to procure the necessary supplies to support our VALOR trial in a timely manner, 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. 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 currently used for AML, such as nucleoside analogs, anthracyclines, hypomethylating agents, Flt-3 inhibitors, other inhibitors of topoisomerase II, and other novel agents. Additionally, other compounds currently in development could become potential competitors of vosaroxin, if approved for marketing.

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' or our collaboration partners' pending patent applications will result in issued patents;
- any of our, our licensors' or our collaboration partners' patents will be valid or enforceable;
- 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 secret protection 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 No. 5,817,669 and its counterpart patents in 43 foreign jurisdictions. This patent is due to expire in October 2015, and most of its foreign counterparts are due to expire in June 2015. In November 2010, the USPTO granted us a patent covering pharmaceutical compositions of vosaroxin, including the formulation used in our VALOR trial. In January 2011, the EPO granted us a similar patent, which has been validated in multiple EPC member states. These patents provide coverage to 2025. In December 2009, the EPO granted us a patent covering combinations of vosaroxin with cytarabine, which provides coverage to 2025 in multiple EPC member states. In June 2011, the USPTO granted us a similar patent, which provides coverage to 2026. In August 2011, the USPTO granted us a patent covering methods of use for vosaroxin at clinically relevant dose ranges and schedules for the treatment of leukemia. This patent has been granted a two year patent term adjustment, which extends coverage through 2026. In February 2012, the USPTO granted us a patent covering certain vosaroxin hydrate forms, which is due to expire in 2028. In February 2012, the USPTO mailed a notice of allowance for a patent application covering certain compositions related to vosaroxin. Although we expect that this patent will be granted in 2012, and that it will be due to expire in 2030, we do not know if this will occur. We also 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 licensees or collaboration partners, if any, and us, any of them may act in their self-interest, which may be adverse to our interests.

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

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

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

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

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

Our loan and security agreement with Oxford Finance LLC, Silicon Valley Bank and Horizon Technology Finance Corporation, which we entered into on October 18, 2011, contains a variety of affirmative and negative covenants, including required financial reporting, limitations on certain dispositions of assets, limitations on the incurrence of additional debt and other requirements. To secure our performance of our obligations under this loan and security agreement, we granted a perfected first priority security interest in substantially all of our assets, other than intellectual property assets, to the lenders. Our failure to comply with the covenants in the loan and security agreement, the occurrence of a material impairment in our prospect of repayment or in the perfection or priority of the lender's lien on our assets, as determined by the lenders, or the occurrence of certain other specified events could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our debt, potential foreclosure on our assets and other adverse results.

Economic conditions may make it costly and difficult to raise additional capital.

There has been turmoil in the world economy, which has led to volatility on the U.S. stock market and reduced credit availability. Investors have been unwilling to buy certain corporate stocks and bonds. If economic conditions continue to affect the capital markets, our ability to raise capital, via our existing controlled equity facilities, debt facility or otherwise, may be adversely affected.

We are exposed to risks related to foreign currency exchange rates and European sovereign debt.

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 have and may continue to purchase certain European currencies or highly-rated investments denominated in such currencies to manage the risk of future movements in foreign exchange rates that would affect such payables, in accordance with our investment policy. However, there is no guarantee that the related gains and losses will substantially offset each other, and we may be subject to significant exchange gains or losses as currencies fluctuate from quarter to quarter.

In addition, the current sovereign debt crisis concerning certain European countries, including Greece, Italy, Ireland, Portugal and Spain, and related European financial restructuring efforts, may cause the value of European currencies, including the Euro, to deteriorate. Such deterioration could adversely impact our investments denominated in Euros, which had an aggregate fair value of $5.1 million as of December 31, 2011. Of this amount, $1.5 million and $2.1 million were invested in securities backed by the governments of Germany and the Netherlands, respectively, and $1.5 million was invested in corporate debt securities. Recent rating agency downgrades on European sovereign debt and growing concern over the potential default of European government issuers has further contributed to this uncertainty. Should governments default on their obligations, we may experience loss of principal on our investments in European sovereign debt.

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 either directly or through a potential future collaboration partner, if any. In order to market vosaroxin in the European Union, Canada and many other foreign jurisdictions, we or a potential future collaboration partner must obtain separate regulatory approvals. We have, and potential future collaboration partners may 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 or a potential future collaboration partner may not obtain foreign regulatory approvals on a timely basis, if at all. We or a potential future collaboration partner 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 either directly or through a potential future collaboration partner. If we or a potential future collaboration partner obtain approval in one or more foreign jurisdictions, we or a potential future collaboration partner 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 or a potential future collaboration partner 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 2011, our common stock traded as low as $1.01 and as high as $3.21. 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;
- failure to maintain compliance with the covenants in our loan and security agreement with Oxford Finance LLC, Silicon Valley Bank and Horizon Technology Finance Corporation;
- 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 arrangements with Biogen Idec and Millennium;
- 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 36.8% of our outstanding capital stock as of December 31, 2011, 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. In addition, under the terms of our loan and security agreement with Oxford Finance LLC, Silicon Valley Bank and Horizon Technology Finance Corporation, we are precluded from paying cash dividends without the prior written consent of the lenders. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain for the foreseeable future.

We are at risk of securities class action litigation.

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

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

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. We believe that our current facility will be sufficient to meet our needs through at least 2012.

ITEM 3. *LEGAL PROCEEDINGS*

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

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

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

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

Our common stock is listed on The NASDAQ 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, 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

Year-Ended December 31, 2011	High	Low
First Quarter	$3.21	$1.66
Second Quarter	$3.16	$1.88
Third Quarter	$2.15	$1.17
Fourth Quarter	$1.50	$1.01

As of February 29, 2012, there were approximately 174 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 February 29, 2012, the last sale price reported on The NASDAQ Capital Market for our common stock was $1.74 per share.

Dividend Policy

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

Unregistered Sales of Equity Securities

Loan Facility

On October 18, 2011, we entered into a loan and security agreement, or the Loan Agreement, with a syndicate led by Oxford Finance LLC and partnered with Silicon Valley Bank and Horizon Technology Finance Corporation, or, collectively, the Lenders, under which we may borrow up to $25.0 million in two tranches. In connection with the Loan Agreement, we agreed to issue to the Lenders warrants to purchase shares of our common stock upon the drawdown of each tranche in the amount equal to 5.00% of the amount drawn at such tranche, divided by the exercise price per share for that tranche. The exercise price per share is determined in each case as the lower of (a) the average closing price per share of our common stock as reported on The NASDAQ Capital Market for the ten (10) trading days prior to the drawdown or (b) the closing price per share of our common stock as reported on The NASDAQ Capital Market on the day before the drawdown. As a result of the drawdown of the first tranche on October 18, 2011, we issued to the Lenders warrants that are initially

exercisable for an aggregate of 386,100 shares of our common stock at a per share exercise price of $1.30, or the Warrants. Each Warrant may be exercised on a cashless basis in whole or in part. The Warrants will terminate on the earlier of the fifth anniversary of their respective issuance or the closing of certain merger or other sale or consolidation transactions in which the consideration is cash, stock of a publicly traded acquirer, or a combination thereof. The sale of the Warrants was to accredited investors and was exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Rule 506 of Regulation D promulgated thereunder. We expect to use the proceeds from the loan to support our clinical development activities related to vosaroxin, including the VALOR trial, as well as for other working capital and 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:	**2011**	**2010**	**2009**	**2008**	**2007**
	(In thousands, except per share amounts)				
Revenue:					
Collaboration revenue	$ —	$ 27	$ 1,550	$ 4,917	$ 9,163
License and other revenue	5,000	6	2,212	500	500
Total revenues	5,000	33	3,762	5,417	9,663
Operating expenses:					
Research and development	22,563	14,433	13,247	26,285	36,060
General and administrative	8,303	7,005	7,748	11,524	13,570
Restructuring charges	—	—	1,916	5,783	1,563
Total operating expenses	30,866	21,438	22,911	43,592	51,193
Loss from operations	(25,866)	(21,405)	(19,149)	(38,175)	(41,530)
Other income (expense), net(1)	5,725	(3,182)	(21,077)	989	2,769
Net loss	(20,141)	(24,587)	(40,226)	(37,186)	(38,761)
Deemed distribution to preferred stockholders(2)	—	—	(27,563)	—	—
Loss attributable to common stockholders	$(20,141)	$(24,587)	$(67,789)	$(37,186)	$(38,761)
Shares used in computing basic and diluted loss attributable to common stockholders per common share	46,412	24,860	5,747	5,731	5,390
Basic and diluted loss attributable to common stockholders per common share	$ (0.43)	$ (0.99)	$ (11.80)	$ (6.49)	$ (7.19)

(1) During 2011, we recorded net non-cash credits of $5.9 million, and during 2010 we recorded a non-cash charge of $3.7 million, related to the revaluation of the liability for warrants issued in connection with the underwritten offering in October 2010 (see Note 10 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 10 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:	**2011**	**2010**	**2009**	**2008**	**2007**
			(In thousands)		
Cash, cash equivalents and marketable securities	$ 44,115	$ 53,396	$ 4,259	$ 10,619	$ 47,684
Working capital	37,282	42,118	1,807	5,371	39,707
Total assets	45,869	54,858	5,169	12,784	53,246
Non-current portion of equipment leases	—	—	—	—	1,353
Non-current portion of notes payable	9,453	—	—	—	—
Convertible preferred stock	—	—	60,005	—	—
Common stock and additional paid-in capital	429,147	423,267	298,473	322,675	320,583
Accumulated deficit	(401,146)	(381,005)	(356,418)	(316,192)	(279,006)
Total stockholders' equity	28,020	42,247	2,060	6,491	41,394

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, 2011 and results of operations for the year ended December 31, 2011 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, which involve risks, uncertainties and assumptions. All statements, other than statements of historical facts, are "forward-looking statements" for purposes of these provisions, including without limitation any statements relating to our strategy, including our plans with respect to unblinding the VALOR trial, the planned interim analysis of the VALOR trial, 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 solid and hematologic cancers. Our efforts are currently focused primarily on the development of vosaroxin for the treatment of acute myeloid leukemia, or AML. 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. We expect to enroll 450 evaluable patients in the VALOR trial at more than 100 study sites in the U.S., Canada, Europe, Australia and New Zealand. The trial is designed to have a 90% probability of detecting a 40% difference in overall survival, and includes a single pre-specified interim analysis by the independent Data and Safety Monitoring Board, or DSMB, which is expected to occur in the third quarter of 2012. The DSMB will examine pre-specified efficacy and safety data sets and decide whether to: (i) stop the trial early for efficacy or for futility; (ii) continue the study to its planned unblinding, which is expected in mid-2013 in this event; or (iii) recommend a one-time sample size adjustment of 225 additional evaluable patients if deemed beneficial to maintain adequate statistical power across a range of clinically meaningful and statistically significant outcomes. In this event, trial unblinding is expected in early 2014. In December 2011, we announced that the DSMB had completed a planned periodic safety review and recommended that the trial continue as planned without changes to study conduct.

We are also completing data analysis in preparation for database lock for 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 relapsed or refractory AML, and (b) a Phase 2 trial in previously untreated patients age 60 years or older with AML, or REVEAL-1, which explored three dose schedules. In addition, we completed a Phase 2 single-agent trial of vosaroxin in patients with platinum-resistant ovarian cancer in 2010, which explored three doses and two different schedules of vosaroxin.

In December 2011, we announced our participation in the LI-1 Trial, a Phase 2/3 randomized, controlled, multi-center trial evaluating novel treatment regimens against low-dose cytarabine, or LD Ara-C, in patients older than 60 years with AML or high-risk myelodysplastic syndrome, or MDS. Several treatments, including two regimens containing vosaroxin, will be evaluated in a randomized Phase 2 design with key endpoints including complete remission, 12-month survival, and overall survival. Treatment arms exhibiting promising results on the basis of these endpoints may continue to enroll in a Phase 3 portion of the trial with a primary endpoint of overall survival. In March 2012, the first patient was enrolled in this trial.

We own worldwide development and commercialization rights to vosaroxin. In 2009, the U.S. Food and Drug Administration, or FDA, granted orphan drug designation to vosaroxin for the treatment of AML. In February 2011, the FDA granted fast track designation to vosaroxin for the potential treatment of relapsed or refractory AML in combination with cytarabine. In the last three years, we have been granted, or notified of allowance of, a number of key patents for vosaroxin, as follows:

- In December 2009, the European Patent Office, or EPO, granted us a patent covering combinations of vosaroxin with cytarabine, which is due to expire in 2025 and has been validated in multiple EPC member states. In June 2011, the U.S. Patent and Trademark Office, or USPTO, granted us a patent in the same family, which is due to expire in 2026. In March 2011, Australia also granted us a patent in this family, which is due to expire 2025. Corresponding applications are pending in other major markets, including Japan and Canada.

- In November 2010, the USPTO granted us a patent covering pharmaceutical compositions of vosaroxin, including the formulation used in our VALOR trial. This patent is due to expire in 2025. In January 2011, the EPO granted us a patent in the same family, which has been validated in multiple European Patent Convention, or EPC, member states. In September 2011, Australia also granted us a patent in this family. These patents are due to expire in 2025. Corresponding applications are pending in other major markets, including Japan and Canada.

- In August 2011, the USPTO granted us a patent covering methods of use of vosaroxin at clinically relevant dose ranges and schedules for the treatment of leukemia. This patent is due to expire in 2026. Corresponding applications are pending in other major markets, including Europe, Japan, Australia and Canada.

- In February 2012, the USPTO granted us a patent covering certain vosaroxin hydrate forms, which is due to expire in 2028. Corresponding applications are pending in other major markets, including Europe, Japan, Australia and Canada.

- In February 2012, the USPTO mailed a notice of allowance for a patent application covering certain compositions related to vosaroxin. We expect that this patent will be granted in 2012, and that it will be due to expire in 2030. Corresponding patent applications are pending in the U.S. and internationally.

In March 2011, we entered into three agreements as part of a series of agreements between Biogen Idec MA Inc., or Biogen Idec, Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited, or Millennium, and ourselves:

- A license agreement with Millennium, or the Millennium Agreement, pursuant to which we granted Millennium exclusive licenses for the development of our oral, selective pan-Raf kinase inhibitor

and one additional undisclosed kinase inhibitor program in oncology that were previously a part of the Original Biogen Idec Agreement. Under this agreement, we may in the future receive up to $59.3 million in pre-commercialization milestone payments related to the development of the first two indications for each of the licensed products directed against the two exclusively licensed targets, and royalty payments depending on future product sales. The agreement also provides us with future co-development and co-promotion rights. In September 2011, we announced that Millennium had initiated a Phase 1 clinical study of an oral investigative drug selective for pan-Raf kinase inhibition, MLN2480, which was licensed to them under this agreement.

- An amendment and restatement of the Original Biogen Idec Agreement, or the Restated Biogen Idec Agreement, to provide for the discovery, development and commercialization of small molecule inhibitors of a unique preclinical kinase inhibitor program involved in immunology. Under this agreement, we continue to be eligible to receive up to $60.0 million in pre-commercialization milestone payments related to the development of the first two indications for licensed products against the specified immunology target, and royalty payments depending on future product sales. We also retain future co-development and co-promotion rights.

- A termination and transition agreement with Biogen Idec and Millennium, which provides for the termination of Biogen Idec's exclusive rights under the Original Biogen Idec Agreement to all discovery programs under such agreement other than a preclinical kinase inhibitor program involved in immunology, the permitted assignment of assets and rights to Millennium as provided in the Millennium Agreement, and the upfront, non-refundable payment of $4.0 million to us as consideration for the above, which was received in April 2011.

In March 2006, we licensed our LFA-1 patents and related know-how to SARcode Bioscience, Inc., or SARcode, a privately-held biopharmaceutical company. In March 2009, the license agreement was terminated and SARcode paid us $2.0 million in cash for this intellectual property. In August 2011, SARcode repaid three promissory notes that had been issued to us upon entering into the original license agreement. The total amount received was $1.2 million, which comprised the aggregate principal value of the three notes of $1.0 million, plus $0.2 million of accrued interest.

Recent Financial History

On October 18, 2011, we entered into the Loan Agreement with a syndicate led by Oxford Finance LLC and partnered with Silicon Valley Bank and Horizon Technology Finance Corporation, under which we may borrow up to $25.0 million in two tranches. The first tranche of $10.0 million was funded at closing. The second tranche of $15.0 million may be drawn at our option between June 30, 2012 and September 30, 2012, subject to our continued compliance with the Loan Agreement and contingent upon the recommendation by the DSMB following the interim analysis of the VALOR trial to either: (a) discontinue the trial due to positive efficacy, or (b) continue the trial. In connection with the drawdown of the first tranche of $10.0 million, we issued warrants to purchase 386,100 shares of our common stock to the Lenders at an exercise price of $1.30 per share. The interest rate for the first tranche is 8.95% per annum, and the interest rate for the second tranche will be fixed upon drawdown at a per annum rate equal to the greater of 8.95% or 8.61% plus the then effective three-month U.S. LIBOR rate. Payments under the Loan Agreement are interest-only through February 1, 2013, followed by 32 equal monthly payments of principal and interest through the scheduled maturity date of October 1, 2015. In addition, a final payment equal to 3.75% of the aggregate amount drawn will be due on October 1, 2015, or such earlier date specified in the Loan Agreement. We have paid the Lenders a facility fee of $250,000. In addition, if we repay all or a portion of the loan prior to maturity, we will pay the Lenders a prepayment fee, based on a percentage of the then outstanding principal balance, equal to 3.00% if the prepayment occurs on or prior to October 18, 2012, 2.00% if the prepayment occurs on or prior to October 18, 2013, or 1.00% if the prepayment occurs prior to October 18, 2014.

In April 2010, we entered into a controlled equity offering sales agreement with Cantor Fitzgerald & Co., or 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. In the year ended December 31, 2011, we sold an aggregate of 1,302,383 shares of common stock at an average price of approximately $2.93 per share for gross proceeds of $3.8 million and net proceeds of $3.7 million, after deducting Cantor's commission. As of December 31, 2011, $2.0 million of common stock remained available to be sold, subject to certain conditions as specified in the agreement.

In August 2011, we entered into an additional 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 December 31, 2011, no sales had been made under this facility, and $20.0 million of common stock remained available to be sold, subject to certain conditions as specified in the agreement.

In February 2011, we effected a one-for-six reverse split of our capital stock, or the Reverse Split. 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 the shares of our common stock: (a) outstanding immediately prior to the effective time of the Reverse Split, (b) available for issuance under our equity incentive plans, and (c) issuable upon the exercise of outstanding stock options and warrants. 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, 2011, we had cash, cash equivalents and marketable securities of $44.1 million and an accumulated deficit of $401.1 million. We expect to continue to incur significant losses for the foreseeable future as we continue the development process and seek regulatory approvals for vosaroxin.

Capital Requirements

While we believe that we currently have the resources to fund our operations until the planned unblinding of the VALOR trial in 2013, we may need to raise additional capital if the costs of the trial exceed our current estimates or unblinding does not occur within the currently anticipated timeframe. We will need to raise substantial additional capital to complete development and the 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 required funding on acceptable terms or at all, 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, or 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 an underwritten offering, or 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 and comprehensive income (loss). 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. Consideration is allocated among the separate units of accounting based on their respective fair value, and the applicable revenue recognition is applied to each of the separate units.

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

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

Clinical Trial Accounting

We record accruals for estimated clinical trial costs, which include payments for work performed by contract research organizations, or CROs, and participating clinical trial sites. These costs are generally a significant component of research and development expense. Costs incurred for setting up clinical trial sites for participation in trials are generally non-refundable, and are expensed 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, and do not expect to generate in the near future, any revenue from sales of commercial products.

Collaboration Revenue

Over the past three years, our collaboration revenue was primarily from a $1.5 million cash milestone payment that we received in July 2009 under the Original Biogen Idec Agreement as a result of Biogen Idec's selection of a Raf kinase inhibitor development candidate for the treatment of cancer. In March 2011, we entered into the Restated Biogen Idec Agreement, which amended and restated the Original Biogen Idec Agreement.

Under the Restated Biogen Idec Agreement, we continue to be eligible to receive up to $60.0 million in pre-commercialization milestone payments related to the development of the first two indications for licensed products against the specified immunology target, and royalty payments depending on future product sales. We also retain future co-development and co-promotion rights.

License and other revenue

In March 2011, we entered into the Millennium Agreement, pursuant to which we granted Millennium exclusive licenses for the development of our oral, selective pan-Raf kinase inhibitor and one additional undisclosed kinase inhibitor program in oncology. We concurrently entered into a termination and transition agreement with Biogen Idec and Millennium, pursuant to which we received an upfront, non-refundable payment of $4.0 million from Millennium that was recorded as revenue.

Under the Millennium Agreement, we may in the future receive up to $59.3 million in pre-commercialization milestone payments related to the development of the first two indications for each of the licensed products directed against the two exclusively licensed targets, and royalty payments depending on future product sales. The agreement also provides us with future co-development and co-promotion rights.

In March 2006, we licensed our LFA-1 patents and related know-how to SARcode, a privately-held biopharmaceutical company. In March 2009, the license agreement was terminated and SARcode paid us $2.0 million in cash for this intellectual property, which was recorded as revenue in April 2009. In August 2011,

SARcode repaid three promissory notes that had been issued to us upon entering into the original license agreement. The total amount received was $1.2 million, which comprised the aggregate principal value of the three notes of $1.0 million, plus $0.2 million of accrued interest, which we recorded as revenue and interest income, respectively, upon receipt.

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 are currently focused on the development of vosaroxin for the treatment of 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, which will affect our research and development expense.

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 collaboration agreements. 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.

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.

Under the Restated Biogen Idec Agreement and the Millennium Agreement, we have the right to participate in co-development and co-promotion activities for the related product candidates. If we were to exercise our option on one or more product candidates, our research and development expense would increase significantly.

As of December 31, 2011, we had incurred $100.6 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 2012 and future years. Due to the above uncertainties and other risks inherent in the development process, we are unable to estimate the costs we will incur in the vosaroxin development program in the future.

General and administrative expense. General and administrative expense consists primarily of personnel costs for the related employees, including non-cash stock-based compensation; professional service costs, including fees paid to outside legal advisors, marketing consultants and our independent registered public accounting firm; facilities expenses; and other administrative costs.

Results of Operations

Years Ended December 31, 2011 and 2010

Revenue. Total revenue was $5.0 million in 2011 as compared to $33,000 in 2010. Revenue in 2011 was comprised of an upfront payment of $4.0 million that we received from Millennium in relation to the termination and transition agreement that we entered into with Biogen Idec and Millennium in March 2011, and $1.0 million that we received as a result of the repayment by SARcode of three promissory notes that had been issued to us upon entering into a license agreement with them in March 2006. We expect our revenue to be lower in 2012 than in 2011.

Research and development expense. Research and development expense was $22.6 million in 2011 as compared to $14.4 million in 2010, substantially all relating to the vosaroxin development program in each year. The increase of $8.2 million in 2011 was primarily due to increases of $7.0 million in clinical trial expenses as a result of the ramp-up of the VALOR trial and $1.6 million for drug manufacturing activities, partially offset by a reduction in milestone payments of $0.5 million. We expect research and development expense to be higher in 2012 as compared to 2011 as we continue to conduct further clinical and related development of vosaroxin.

General and administrative expense. General and administrative expense was $8.3 million in 2011 as compared to $7.0 million in 2010. The increase of $1.3 million in 2011 was primarily due to increases of $0.6 million in personnel costs and $0.5 million in professional service costs.

Other income (expense), net. Net other income was $5.7 million in 2011 as compared to net other expense of $3.2 million in 2010. Net other income in 2011 was primarily comprised of net non-cash credits of $5.9 million for the revaluation of warrants issued in the 2010 Offering to their fair value as of December 31, 2011. Net other 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.

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 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 trial 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.

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, 2011, we had net operating loss carry-forwards for federal and state income tax purposes of $278.2 million and $169.3 million, respectively. We also had federal and state research and development tax credit carry-forwards of $6.5 million and $5.9 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, debt financings, the receipt of funds from our collaboration partners, and research grants.

Our cash, cash equivalents and marketable securities totaled $44.1 million as of December 31, 2011, as compared to $53.4 million as of December 31, 2010. The decrease of $9.3 million was primarily due to $22.8 million of net cash used in operating activities, partially offset by net proceeds of $9.6 million from the Loan Agreement as described below, and $4.1 million from sales of our common stock through Cantor (including $0.4 million from the settlement of sales made in 2010).

In October 2011, we entered into the Loan Agreement with the Lenders, under which we may borrow up to $25.0 million in two tranches. The first tranche of $10.0 million was funded at closing. The second tranche of $15.0 million may be drawn at our option between June 30, 2012 and September 30, 2012, subject to our continued compliance with the Loan Agreement and contingent upon recommendation by the DSMB following the interim analysis of the VALOR trial to either: (a) discontinue the trial due to positive efficacy, or (b) continue the trial.

In April 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. 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. In the year ended December 31, 2011, we sold an aggregate of 1,302,383 shares of common stock at an average price of approximately $2.93 per share for gross proceeds of $3.8 million and net proceeds of $3.7 million, after deducting Cantor's commission. As of December 31, 2011, $2.0 million of common stock remained available to be sold, subject to certain conditions as specified in the agreement.

In August 2011, we entered into an additional 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 December 31, 2011, no sales had been made under this facility, and $20.0 million of common stock remained available to be sold, subject to certain conditions as specified in the agreement.

Cash Flows

Net cash used in operating activities was $22.8 million in 2011, compared to $19.4 million used in 2010 and $20.2 million in 2009. Net cash used in 2011 resulted primarily from the net loss of $20.1 million and net adjustments for non-cash items of $4.2 million (including a net credit of $5.9 million for the revaluation of warrants issued in the 2010 Offering, partially offset by $1.4 million of stock-based compensation), partially offset by changes in operating assets and liabilities of $1.5 million, primarily as a result of an increase in accrued clinical expenses related to the VALOR trial. 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 for the revaluation of warrants issued in 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).

Net cash provided by investing activities was $4.2 million in 2011, compared to $39.1 million used in investing activities in 2010 and $4.7 million provided by investing activities in 2009. Net cash provided in 2011 consisted primarily of proceeds from maturities of marketable securities, partially offset by purchases of marketable securities. Net cash used in 2010 consisted primarily of purchases of marketable securities, partially offset by proceeds from maturities of marketable securities. Net cash provided in 2009 consisted primarily of proceeds from maturities of marketable securities.

Net cash provided by financing activities was $13.7 million in 2011, compared to $68.4 million in 2010 and $13.4 million in 2009. Net cash provided in 2011 consisted primarily of net proceeds of $9.6 million from the Loan Agreement and $4.1 million from sales of our common stock through Cantor. Net cash provided in 2010 consisted primarily of net proceeds of $27.5 million from sales of our common stock through Cantor, $26.7 million from sales of our common stock in the third and final closing of the Private Placement, 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.

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, 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, if any, of supporting our arrangements with Biogen Idec and Millennium.

While we believe that we currently have the resources to fund our operations until the planned unblinding of the VALOR trial in 2013, we may need to raise additional capital if the costs of the trial exceed our current estimates or unblinding does not occur within the currently anticipated timeframe.

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 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.

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

The following table summarizes our long-term contractual obligations as of December 31, 2011 (in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt obligations, including interest(1)	$12,322	$ 895	$7,903	$3,524	$ —
Operating lease obligations(2)	$ 540	$ 405	$ 135	$ —	$ —

(1) Upon the occurrence of an event of default, as defined in the Loan Agreement, and following any applicable cure periods, a default interest rate of an additional 5% may be applied to the outstanding loan balances, and the Lenders may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Loan Agreement.

(2) Operating lease obligations 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.

The above amounts exclude potential payments under our 2003 license agreement with Dainippon, pursuant to which we are required to make certain milestone payments in the event we file new drug applications in the United States, Europe or Japan, and if we receive regulatory approvals in any of these regions, for cancer-related indications. 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***

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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, 2011 and 2010, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. 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, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG, LLP

Redwood City, California
March 14, 2012

SUNESIS PHARMACEUTICALS, INC.

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

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,311	$ 14,223
Marketable securities	34,804	39,173
Prepaids and other current assets	1,550	1,286
Total current assets	45,665	54,682
Property and equipment, net	74	116
Deposits and other assets	130	60
Total assets	$ 45,869	$ 54,858
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 658	$ 416
Accrued clinical expense	2,370	1,574
Accrued compensation	1,274	1,013
Other accrued liabilities	1,805	1,406
Warrant liability	2,276	8,154
Total current liabilities	8,383	12,563
Non-current portion of notes payable	9,453	—
Non-current portion of deferred rent	13	48
Commitments		
Stockholders' equity:		
Common stock, $0.0001 par value; 400,000 shares authorized as of December 31, 2011 and 2010; 46,774 and 45,372 shares issued and outstanding as of December 31, 2011 and 2010, respectively	5	5
Additional paid-in capital	429,142	423,262
Accumulated other comprehensive income (loss)	19	(15)
Accumulated deficit	(401,146)	(381,005)
Total stockholders' equity	28,020	42,247
Total liabilities and stockholders' equity	$ 45,869	$ 54,858

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

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

	Year Ended December 31,		
	2011	2010	2009
Revenue:			
Collaboration revenue	$ —	$ 27	$ 1,550
License and other revenue	5,000	6	2,212
Total revenues	5,000	33	3,762
Operating expenses:			
Research and development	22,563	14,433	13,247
General and administrative	8,303	7,005	7,748
Restructuring charges	—	—	1,916
Total operating expenses	30,866	21,438	22,911
Loss from operations	(25,866)	(21,405)	(19,149)
Other income (expense), net	5,725	(3,182)	(21,077)
Net loss	(20,141)	(24,587)	(40,226)
Unrealized gain (loss) on available-for-sale securities	34	(15)	(8)
Comprehensive loss	$(20,107)	$(24,602)	$(40,234)
Basic and diluted loss per common share:			
Net loss	$(20,141)	$(24,587)	$(40,226)
Deemed distribution to preferred stockholders	—	—	(27,563)
Loss attributable to common stockholders	$(20,141)	$(24,587)	$(67,789)
Shares used in computing basic and diluted loss attributable to common stockholders per common share	46,412	24,860	5,747
Basic and diluted loss attributable to common stockholders per common share	$ (0.43)	$ (0.99)	$ (11.80)

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2008	—	$ —	5,735	$ 3	$ 322,672	$ 8	$(316,192)	$ 6,491
Issuance of $10,000 of units consisting of preferred stock and warrants in initial closing of Private Placement, recorded in liabilities	483	—	—	—	—	—	—	—
Reclassification of preferred stock from liabilities to equity	—	—	—	—	20,126	—	—	20,126
Reclassification of second closing option of Private Placement from liabilities to equity and issuance of amended preferred stock instrument, net of issuance costs of $1,246	—	56,146	—	—	(46,501)	—	—	9,645
Issuance of $5,000 of units consisting of preferred stock and warrants in second closing of Private Placement, net of issuance costs of $321	242	2,670	—	—	2,009	—	—	4,679
Write-off of discount for beneficial conversion feature on second closing of Private Placement	—	1,189	—	—	(1,189)	—	—	—
Issuance of common stock pursuant to warrant exercises	—	—	245	—	—	—	—	—
Issuance of common stock pursuant to stock option exercises	—	—	1	—	7	—	—	7
Issuance of common stock under employee stock purchase plan	—	—	3	—	6	—	—	6
Stock-based compensation expenses—employees	—	—	—	—	1,311	—	—	1,311
Stock-based compensation expenses—non-employees	—	—	—	—	29	—	—	29
Net loss	—	—	—	—	—	—	(40,226)	(40,226)
Unrealized loss on available-for-sale securities	—	—	—	—	—	(8)	—	(8)
Balance as of December 31, 2009	725	60,005	5,984	3	298,470	—	(356,418)	2,060
Issuance of $28,500 of common stock in third closing of Private Placement, net of issuance costs of $1,787	—	—	17,273	10	26,703	—	—	26,713
Issuance of common stock upon conversion of preferred stock	(725)	(60,005)	7,246	4	60,001	—	—	—
Issuance of $28,820 of common stock through controlled equity offering facilities, net of issuance costs of $1,332	—	—	5,726	3	27,485	—	—	27,488
Issuance of $10,961 of common stock in 2010 Offering, net of issuance costs of $1,233	—	—	7,358	5	9,723	—	—	9,728
Issuance of common stock pursuant to warrant exercises	—	—	1,764	1	(1)	—	—	—
Issuance of common stock pursuant to stock option exercises	—	—	1	—	4	—	—	4
Issuance of common stock under employee stock purchase plan	—	—	4	—	6	—	—	6
Issuance of common stock to employees	—	—	16	—	(27)	—	—	(27)
Stock-based compensation expenses—employees	—	—	—	—	870	—	—	870
Stock-based compensation expenses—non-employees	—	—	—	—	7	—	—	7
Adjustment of common stock to par value as a result of Reverse Split	—	—	—	(23)	23	—	—	—
Net loss	—	—	—	—	—	—	(24,587)	(24,587)
Unrealized loss on available-for-sale securities	—	—	—	—	—	(15)	—	(15)
Balance as of December 31, 2010	—	—	45,372	5	423,262	(15)	(381,005)	42,247
Issuance of $4,178 of common stock through controlled equity offering facilities, net of issuance costs of $125	—	—	1,302	—	4,053	—	—	4,053
Issuance of common stock under employee stock purchase plans	—	—	62	—	68	—	—	68
Issuance of common stock to employees	—	—	38	—	—	—	—	—
Issuance of warrants to purchase common stock	—	—	—	—	371	—	—	371
Stock-based compensation expenses—employees	—	—	—	—	1,369	—	—	1,369
Stock-based compensation expenses—non-employees	—	—	—	—	19	—	—	19
Net loss	—	—	—	—	—	—	(20,141)	(20,141)
Unrealized gain on available-for-sale securities	—	—	—	—	—	34	—	34
Balance as of December 31, 2011	—	$ —	46,774	$ 5	$ 429,142	$ 19	$(401,146)	$ 28,020

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Cash flows from operating activities			
Net loss	$(20,141)	$(24,587)	$(40,226)
Adjustments to reconcile loss to net cash used in operating activities:			
Stock-based compensation expense	1,388	877	1,340
Depreciation and amortization	56	150	342
Amortization of debt discount and debt issuance costs	56	—	—
Change in fair value of warrant liability	(5,878)	3,664	—
Non-cash expense related to Private Placement	—	—	21,017
Non-cash restructuring (reversals) charges, net	—	—	(1,373)
Foreign exchange loss (gain) on marketable securities	244	(63)	—
(Gain) loss on sale or disposal of property and equipment	(33)	(82)	56
Other non-cash items	—	(27)	—
Changes in operating assets and liabilities:			
Prepaids and other assets	(343)	(659)	434
Accounts payable	242	55	(430)
Accrued clinical expense	796	444	(736)
Accrued compensation	261	284	192
Other accrued liabilities	516	564	(799)
Net cash used in operating activities	(22,836)	(19,380)	(20,183)
Cash flows from investing activities			
Purchases of property and equipment	(15)	(64)	(6)
Proceeds from sale of property and equipment	34	104	391
Purchases of marketable securities	(52,082)	(46,637)	(503)
Proceeds from sales or maturities of marketable securities	56,241	7,513	4,817
Net cash provided by (used in) investing activities	4,178	(39,084)	4,699
Cash flows from financing activities			
Proceeds from notes payable, net	9,625	—	—
Proceeds from issuance of common stock through controlled equity offering facilities, net	4,053	27,488	—
Proceeds from issuance of common stock in third closing of Private Placement, net	—	26,713	—
Proceeds from issuance of common stock and warrants in 2010 Offering, net	—	14,218	—
Proceeds from issuance of convertible preferred stock and warrants in Private Placement, net	—	—	13,433
Proceeds from exercise of stock options and employee stock purchase plans	68	9	13
Net cash provided by financing activities	13,746	68,428	13,446
Net increase (decrease) in cash and cash equivalents	(4,912)	9,964	(2,038)
Cash and cash equivalents at beginning of period	14,223	4,259	6,297
Cash and cash equivalents at end of period	$ 9,311	$ 14,223	$ 4,259
Supplemental disclosure of cash flow information			
Interest paid	$ 109	$ —	$ 1
Supplemental disclosure of non-cash activities			
Fair value of warrants issued in connection with notes payable	$ 371	$ —	$ —
Deemed distributions to preferred stockholders	$ —	$ —	$ 27,563
Beneficial conversion feature on preferred stock	$ —	$ —	$ 1,188
Cashless exercise of warrants	$ —	$ 3,064	$ 440
Conversion of preferred stock to common stock	$ —	$ 60,005	$ —

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Company Overview

Description of Business

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, 2011, had cash, cash equivalents and marketable securities totaling $44.1 million and an accumulated deficit of $401.1 million.

While the Company believes that it currently has the resources to fund its operations until the planned unblinding of the VALOR trial in 2013, the Company may need to raise additional capital if the costs of the trial exceed the Company's current estimates or unblinding does not occur within the currently anticipated timeframe. The Company will need to raise substantial additional capital to complete development and the 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.

Concentrations of Credit Risk

In accordance with its investment policy, the Company invests cash that is not currently being used for operational purposes. The policy allows for the purchase of low risk debt securities issued by the United States and certain European governments and government agencies and very highly rated banks and corporations domiciled in the United States 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 Company is exposed to credit risk in the event of default by the institutions holding its cash, cash equivalents and any marketable securities to the extent of the amounts recorded in the balance sheets.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). 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. 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 the shares of Company's common stock: (a) outstanding immediately prior to the effective time of the Reverse Split, (b) available for issuance under the Company's equity incentive plans, and (c) issuable upon the exercise of outstanding stock options and warrants. The accompanying financial statements and notes thereto 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 financial statements and notes thereto. Actual results could differ materially from these estimates. Significant estimates, assumptions and judgments made by management include those related to the valuation of equity and related instruments, revenue recognition, stock-based compensation and clinical trial accounting.

Cash Equivalents and Marketable Securities

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

Management determines the appropriate classification of securities at the time of purchase. 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.

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 statements of operations and comprehensive income (loss). Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities, if any, are also recorded to other income (expense). The cost of securities sold is based on the specific-identification method.

As part of the VALOR trial, amounts 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 contract research organization, 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 amounts, the Company may purchase certain European currencies or highly-rated investments denominated in those currencies, subject to similar criteria as for other investments defined in the Company's investment policy. There is no guarantee that the related gains and losses will substantially offset each other, and the Company may be subject to significant exchange gains or losses as currencies fluctuate from quarter to quarter. As of December 31, 2011, the Company held investments denominated in Euros with an aggregate fair value of $5.1 million.

To date, the Company has purchased Euros and Euro-denominated obligations of foreign governments and corporate debt. 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 exchange gains or losses and those from amounts payable for services originally denominated in foreign currencies are both recorded in other income (expense) in the statements of operations and comprehensive income (loss).

Fair Value Measurements

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

Level 1 -	quoted prices (unadjusted) in active markets for identical assets and liabilities that can be accessed at the measurement date
Level 2 -	inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
Level 3 -	unobservable inputs

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

The fair value of the Company's liability for warrants issued in connection with the 2010 Offering (see Note 10) is 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. As some of these inputs are unobservable, and require significant analysis and judgment to measure, these variables are classified as Level 3.

The Company does not measure cash, prepayments, accounts payable, accrued liabilities and notes payable at fair value, as their carrying amounts approximated the fair value as of December 31, 2011 and 2010.

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 Notes Payable

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

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 10), 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 10), 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 statements of operations and comprehensive income (loss).

Revenue Recognition

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

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

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

Research and Development

All research and development costs, including those funded by third parties, are expensed as incurred. Research and development expense consists primarily of clinical trial costs, which include payments for work performed by contract research organizations ("CROs"), clinical trial sites, labs and other clinical service providers, and for drug packaging, storage and distribution; drug manufacturing costs, which include costs for stability and other testing; personnel costs for related permanent and temporary employees; and payments under license agreements.

Clinical Trial Accounting

The Company records accruals for estimated clinical trial costs, which include payments for work performed by CROs and participating clinical trial sites. These costs are generally a significant component of

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

Stock-Based Compensation

The Company grants options to purchase common stock to its employees, directors and consultants under its stock option plans. Under the Company's Employee Stock Purchase Plan, eligible employees can also purchase shares of 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 transaction date. Any foreign currency-denominated monetary assets and liabilities are subsequently remeasured at current exchange rates as of each balance sheet date, with gains or losses on foreign exchange recognized in other income (expense) in the statements of operations and comprehensive income (loss).

Income Taxes

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

3. 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.

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

	As of December 31,		
	2011	2010	2009
Outstanding securities not included in calculations:			
Convertible preferred stock, as-if converted	—	—	7,246
Warrants to purchase common stock	9,034	8,648	7,353
Options to purchase common stock	5,099	1,065	1,068
Total securities excluded from calculation	14,133	9,713	15,667

4. License and Collaboration Agreements

Biogen Idec and Millennium

In August 2004, the Company entered into a collaboration agreement with Biogen Idec MA, Inc. ("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 (the "Original Biogen Idec Agreement"). 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. In mid-2009, the Company received and recognized a $1.5 million milestone for Biogen Idec's selection of a Raf kinase inhibitor development candidate for the treatment of cancer.

On March 31, 2011, as part of a series of agreements among the Company, Biogen Idec and Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited, ("Millennium"), the Company entered into: (a) an amended and restated collaboration agreement with Biogen Idec (the "Restated Biogen Idec Agreement"), which amended and restated the Original Biogen Idec Agreement, to provide for the discovery, development and commercialization of small molecule inhibitors of a unique preclinical kinase inhibitor program involved in immunology; (b) a license agreement with Millennium (the "Millennium Agreement") under which the Company granted exclusive licenses to products against two oncology targets under the Original Biogen Idec Agreement, consisting of Raf kinase and one other identified target, under substantially the same terms as under the Original Biogen Idec Agreement; and (c) a termination and transition agreement among the Company, Biogen Idec and Millennium (the "Termination and Transition Agreement"), which provided, among other matters, for a $4.0 million, non-refundable, upfront payment from Millennium to the Company for the Millennium Agreement and termination of the Original Biogen Idec Agreement.

Under the Restated Biogen Idec Agreement, the Company no longer has research obligations, but licenses granted to Biogen Idec with respect to the research collaboration under the Original Biogen Idec Agreement (other than the licenses transferred to Millennium under the Millennium Agreement) remain in effect. The Company may in the future receive up to $60.0 million in pre-commercialization milestone payments related to the development of the first two indications for licensed products against the specified immunology target, of which $9.2 million is related to development milestones and $50.8 million is related to regulatory milestones. The Company is also eligible to receive royalty payments depending on product sales, which may be increased if the Company exercises its option to co-fund product candidates worldwide, but is subject to reduction if Biogen Idec is required to in-license third party intellectual property related to certain technology jointly developed under the collaboration agreement in order to commercialize a licensed product.

Under the Millennium Agreement, the Company exclusively licensed to Millennium products against the Raf kinase target and one other identified target, under substantially the same terms as under the Original Biogen Idec Agreement. The Company may in the future receive up to $59.3 million in pre-commercialization milestone

payments related to the development of the first two indications for each of the licensed products directed against the two exclusively licensed targets. For each of the two targets, $8.5 million of potential payments are related to development milestones, and $50.8 million of potential payments are related to regulatory milestones. The Company is also eligible to receive royalty payments depending on product sales, which may be increased if the Company exercises its option to co-fund product candidates worldwide, but is subject to reduction if Millennium is required to in-license third party intellectual property related to certain technology jointly developed under the collaboration agreement in order to commercialize a licensed product.

The Termination and Transition Agreement provided for: (a) termination of Biogen Idec's exclusive rights under the Original Biogen Idec Agreement to all discovery programs under such agreement other than a preclinical kinase inhibitor program involved in immunology, (b) the permitted assignment to Millennium of all related Company collaboration assets and rights to Raf kinase and one additional undisclosed kinase inhibitor program in oncology, and (c) the payment of $4.0 million upfront from Millennium to the Company. As the upfront amount is non-refundable and the Company has no continuing performance obligations under this agreement, or either of the two other agreements entered into on the same date, the $4.0 million was recorded as revenue in March 2011.

SARcode

In March 2006, the Company licensed its LFA-1 patents and related know-how to SARcode Bioscience, Inc. ("SARcode"), a privately-held biopharmaceutical company. In March 2009, the license agreement was terminated and SARcode paid the Company $2.0 million in cash for this intellectual property, which was recorded as revenue in April 2009. In August 2011, SARcode repaid three promissory notes that had been issued to the Company upon entering into the original license agreement. The total amount received was $1.2 million, which comprised the aggregate principal value of the three notes of $1.0 million, plus $0.2 million of accrued interest, which the Company recorded as revenue and interest income, respectively, upon receipt.

5. Financial Instruments

Financial Assets

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

December 31, 2011	Input Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	Level 1	$ 7,156	$ —	$ —	$ 7,156
U.S. corporate debt obligations	Level 2	16,619	5	(1)	16,623
U.S. commercial paper	Level 2	14,556	18	—	14,574
Foreign government obligations	Level 2	3,607	1	—	3,608
Foreign corporate debt obligations	Level 2	1,476	—	(3)	1,473
Total available-for-sale securities		43,414	24	(4)	43,434
Less: amounts classified as cash equivalents		8,632	—	(2)	8,630
Amounts classified as marketable securities		$ 34,782	$ 24	$ (2)	$ 34,804

December 31, 2010	Input Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	Level 1	$ 14,037	$ —	$ —	$ 14,037
U.S. corporate debt obligations	Level 2	20,114	—	(21)	20,093
U.S. commercial paper	Level 2	16,986	7	—	16,993
Foreign government obligations	Level 2	2,087	—	(1)	2,086
Total available-for-sale securities		53,224	7	(22)	53,209
Less: amounts classified as cash equivalents		14,036	—	—	14,036
Amounts classified as marketable securities		$ 39,188	$ 7	$ (22)	$ 39,173

The following table summarizes the available-for-sale securities that were in an unrealized loss position as of December 31, 2011, each having been in such a position for less than 12 months, and none deemed to be other-than-temporarily impaired (in thousands):

December 31, 2011	Gross Unrealized Losses	Estimated Fair Value
U.S. corporate debt obligations	$ (1)	$ 5,946
Foreign government obligations	—	488
Foreign corporate debt obligations	(3)	1,473
Total available-for-sale securities in an unrealized loss position	$ (4)	$ 7,907

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, 2011, 2010 and 2009.

Financial Liabilities

The following table summarizes the inputs and assumptions and estimated fair value of the Company's financial liabilities measured on a recurring basis as of the dates indicated, which were comprised solely of a liability for warrants issued in connection with the 2010 Offering (see Note 10):

	December 31, 2011	December 31, 2010
Inputs and assumptions:		
Fair market value of Company's common stock	$ 1.17	$ 3.12
Exercise price	$ 2.52	$ 2.52
Expected term (years)	3.8	4.8
Expected volatility	98.9%	87.6%
Risk-free interest rate	0.5%	1.9%
Expected dividend yield	0.0%	0.0%
Fair value:		
Estimated fair value per warrant share	$ 0.62	$ 2.22
Shares underlying outstanding warrants classified as liabilities (in thousands)	3,679	3,679
Total estimated fair value of outstanding warrants (in thousands)	$ 2,276	$ 8,154

The warrants have been classified as a derivative liability in the Company's balance sheet 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 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 statements of operations and comprehensive income (loss).

The Black-Scholes model requires Level 3 inputs such as the expected term of the warrants and share price volatility. These inputs are subjective and generally require significant analysis and judgment to develop. Any changes in these inputs could result in a significantly higher or lower fair value measurement. The following table summarizes the changes in the fair value of the Company's Level 3 financial liabilities for the periods indicated (in thousands):

	Warrant Liability
Balance as of December 31, 2009	—
Initial fair value of warrant liability	4,490
Change in fair value of warrant liability included in other income (expense)	3,664
Balance as of December 31, 2010	$ 8,154
Change in fair value of warrant liability included in other income (expense)	(5,878)
Balance as of December 31, 2011	$ 2,276

6. Property and Equipment

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

	2011	2010
Computer equipment and software	$ 598	$ 1,063
Furniture and office equipment	326	472
Laboratory equipment	44	44
Leasehold improvements	376	376
	1,344	1,955
Less accumulated depreciation and amortization	(1,270)	(1,839)
Net property and equipment	$ 74	$ 116

7. Other Accrued Liabilities

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

	2011	2010
Accrued outside services	$ 1,209	$ 1,079
Accrued professional services	358	292
Other accruals	238	9
Total other accrued liabilities	$ 1,805	$ 1,380

8. Notes Payable

On October 18, 2011, the Company entered into a loan and security agreement (the "Loan Agreement") with Oxford Finance LLC, Silicon Valley Bank and Horizon Technology Finance Corporation (collectively, "the Lenders") under which the Company may borrow up to $25.0 million in two tranches (the "Loan Facility"). The first tranche of $10.0 million was funded upon closing of the transaction on October 18, 2011. Subject to the Company's continued compliance with the terms and conditions of the Loan Facility, the second tranche of $15.0 million may be drawn at the Company's option between June 30, 2012 and September 30, 2012, contingent upon the recommendation by the Data and Safety Monitoring Board (the "DSMB") following the interim analysis of the VALOR trial to either: (a) discontinue the trial due to positive efficacy, or (b) continue the trial.

The interest rate for the first tranche is 8.95% per annum, and the interest rate for the second tranche will be fixed upon drawdown at a per annum rate equal to the greater of 8.95% or 8.61% plus the then effective three-month U.S. LIBOR rate. Payments under the Loan Agreement are monthly in arrears and interest-only until February 1, 2013, followed by 32 equal monthly payments of principal and interest through the scheduled maturity date of October 1, 2015. In addition, a final payment equal to 3.75% of the aggregate amount drawn will be due on October 1, 2015, or such earlier date specified in the Loan Agreement. The Company paid the Lenders a facility fee of $250,000 at closing, and incurred legal fees of approximately $0.1 million in connection with closing the loan. If the Company repays all or a portion of the loans prior to maturity, it will pay the Lenders a prepayment fee of between 1-3% of the principal amount prepaid.

The facility fee is being accounted for as a debt discount and classified within notes payable on the Company's balance sheet and is being amortized as interest expense over the term of the loan using the effective interest method. The final payment is being accreted as interest expense over the term of the loan using the effective interest method. The legal fees are being accounted for as deferred debt issuance costs within assets on the Company's balance sheet and are being amortized as other income (expense) over the term of the loan using the effective interest method.

In accordance with the terms of the Loan Agreement, the Company agreed to issue five-year warrants to the Lenders upon each drawdown to purchase shares of common stock in an amount equal to 5.0% of the amount drawn at such tranche, divided by the exercise price per share, which is determined in each case to be the lower of the 10-day average closing share price prior to the drawdown or the closing price per share the day prior to the drawdown. As a result of the drawdown of the first tranche of $10.0 million, the Company issued warrants to purchase 386,100 shares of its common stock at an exercise price of $1.30 per share. These warrants are immediately exercisable, may be exercised on a cashless basis, and will expire on October 18, 2016.

The fair value of the warrants issued was approximately $0.4 million and was estimated using a Black-Scholes valuation model with the following assumptions: fair value of common stock at issuance of $1.38; risk-free interest rate of 1.07% based upon observed risk-free interest rates appropriate for the expected term of the warrants; expected volatility of 88.9% based on the average historical volatilities of a peer group of publicly-traded companies within the Company's industry; expected term of five years, which is the contractual life of the warrants; and a dividend yield of 0%. The fair value of the warrants was recorded as a debt discount within notes payable and an increase to additional paid-in capital on the Company's balance sheet. The debt discount is being amortized as interest expense over the term of the loan using the effective interest method. As of December 31, 2011, the warrants remained outstanding and exercisable.

The loan is secured by substantially all of the Company's assets, except for intellectual property. Under the Loan Agreement, the Company also agreed to certain restrictions regarding the pledging or encumbrance of its intellectual property. The Loan Agreement includes standard affirmative and restrictive covenants, but does not include any covenants to attain or maintain any financial metrics, and also includes standard events of default, including payment defaults, breaches of covenants following any applicable cure period, a material impairment in the perfection or priority of the Lenders' security interest or in the value of the collateral, a material impairment of the prospect of repayment of the loans and a material adverse change in the business, operations or conditions (financial or otherwise) of the Company. Upon the occurrence of an event of default and following any applicable cure periods, a default interest rate of an additional 5% may be applied to the outstanding loan balances, and the Lenders may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Loan Agreement.

Future payments as of December 31, 2011 are as follows (in thousands):

Year ending December 31,	
2012	$ 895
2013	3,674
2014	4,229
2015	3,524
Total minimum payments	12,322
Less amount representing interest	2,322
Notes payable, gross	10,000
Unamortized discount on notes payable	(575)
Accretion of the final payment	28
Notes payable, balance	9,453
Current portion of notes payable	—
Non-current portion notes payable	$ 9,453

The Company recorded interest expense related to the loan of $0.3 million and zero for the years ended December 31, 2011 and 2010, respectively. The annual effective interest rate on the note payable, including the amortization of the debt discounts and accretion of the final payments, is 13.1%.

9. Commitments and Contingencies

Commitments

The Company's operating lease obligations as of December 31, 2011 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 (in thousands):

Year Ended December 31:	Payments
2012	$ 405
2013	135
Total rental payments	$ 540

The Company recognizes rent expense on a straight-line basis. The Company recorded rent expense of $0.4 million, $0.5 million and $0.8 million for the years ended December 31, 2011, 2010 and 2009, 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.

10. Stockholders' Equity

Preferred Stock

The Company has 10,000,000 shares of authorized preferred stock available for issuance in one or more series. Upon issuance, the Company can determine the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. There were no shares of preferred stock outstanding as of December 31, 2011 and 2010.

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.

Controlled Equity Offerings

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. Under this facility, the Company sold an aggregate of 2,645,008 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. The Company agreed to pay Cantor a commission of 3.0% of the gross proceeds from each sale. In the year ended December 31, 2011, the Company sold an aggregate of 1,302,383 shares of common stock at an average price of approximately $2.93 per share for gross proceeds of $3.8 million and net proceeds of $3.7 million, after deducting Cantor's commission. Through December 31, 2011, the Company had sold an aggregate of 4,383,283 shares of common stock under this facility at an average price of approximately $4.10 per share for gross proceeds of $18.0 million and net proceeds of $17.4 million, after deducting Cantor's commission. As of December 31, 2011, $2.0 million of common stock remained available to be sold under this facility, subject to certain conditions as specified in the agreement.

In August 2011, the Company entered into a third controlled equity offering sales agreement with Cantor, pursuant to which the Company may 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. The Company agreed to pay Cantor a commission of 3.0% of the gross proceeds from each sale. As of December 31, 2011, no sales had been made under this facility, and $20.0 million of common stock remained available to be sold under this facility, subject to certain conditions as specified in the agreement.

2010 Offering

In October 2010, the Company completed an underwritten offering, pursuant to which the Company issued an aggregate of 7,357,610 shares of common stock and warrants to purchase 3,678,798 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 have 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 statements of operations and comprehensive income (loss). As of December 31, 2011 and 2010, the fair value of the warrants was $2.3 million and $8.2 million, respectively.

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

Warrants for an aggregate of 2,321,050 and 333,166 shares of common stock were net exercised during the years ended December 31, 2010 and 2009, respectively, resulting in the issuance of 1,764,322 shares and 244,908 shares of common stock, respectively. As of December 31, 2011, warrants issued under the Private Placement for the purchase of 4,592,123 shares of common stock were outstanding.

In June 2010, the Company completed the third and final closing of the Private Placement, issuing 17,272,716 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 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 7,246,339 shares of common stock were issued on June 30, 2010.

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.

Stock Option Plans

The Company grants options to purchase shares of its common stock primarily to: (i) new employees, of which 25% of the shares subject to such options become exercisable on the first anniversary of the vesting commencement date, and 1/48th of the shares subject to such options become exercisable each month over the remainder of the four-year vesting period, (ii) existing employees, of which 1/48th of the shares subject to such options become exercisable each month following the date of grant over a four-year vesting period, (iii) new non-employee members of the board of directors, of which 50% of the shares subject to such options become exercisable on each of the first and second anniversary of the vesting commencement date, and (iv) continuing non-employee members of the board of directors, of which, commencing in 2011, 1/24th of the shares subject to such options become exercisable each month following the date of grant over a two-year vesting period.

2011 Equity Incentive Plan

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

The Company initially reserved a total of 6,041,856 shares of common stock for issuance under the 2011 Plan, which is the sum of (i) the 539,803 shares remaining available as of the Effective Date under the Prior Plans, (ii) an additional 4,400,000 new shares, and (iii) that portion of the 1,102,053 shares underlying stock options granted and currently outstanding under the Prior Plans that expire or terminate for any reason prior to exercise or settlement or that are forfeited because of the failure to meet a contingency or condition required to vest such shares.

The number of shares of common stock available for issuance under the 2011 Plan automatically increases on January 1st of each year for a period of 10 years commencing on January 1, 2012 by an amount equal to: (i) 4.0% of the Company's outstanding shares of common stock on December 31st of the preceding calendar year, or (ii) a lesser amount determined by the Board of Directors.

During the year ended December 31, 2011, options to purchase 4,165,000 shares of the Company's common stock were granted under the 2011 Plan. As of December 31, 2011, there were 942,409 shares available for future grants under the 2011 Plan.

Employee Stock Purchase Plan

On March 15, 2011, the Company's Board of Directors adopted, and on June 3, 2011, the Company's stockholders approved, the 2011 Employee Stock Purchase Plan (the "2011 ESPP"). The 2011 ESPP is intended as the successor to the Company's 2005 Employee Stock Purchase Plan, which was terminated on June 3, 2011.

The 2011 ESPP permits eligible employees to purchase common stock at a discount through payroll deductions during defined offering periods. Eligible employees can purchase shares of the Company's common stock at 85% of the lower of the fair market value of the common stock at (i) the beginning of a 12-month offering period, or (ii) at the end of one of the two related 6-month purchase periods. No participant in the 2011 ESPP may be issued or transferred shares of common stock valued at more than $25,000 per calendar year. The initial offering under the 2011 ESPP commenced on June 13, 2011 and will end on May 31, 2012, unless terminated earlier.

The Company initially reserved a total of 500,000 shares of common stock for issuance under the 2011 ESPP. The number of shares of common stock available for issuance under the 2011 ESPP automatically increases on January 1st of each year for a period of 10 years commencing on January 1, 2012 by an amount equal to: (i) 1.0% of the Company's outstanding shares of common stock on December 31st of the preceding calendar year, or (ii) a lesser amount determined by the Board of Directors.

A total of 60,470 shares were issued under the 2011 ESPP during the year ended December 31, 2011. As of December 31, 2011, 439,530 shares were available for future issuance under the ESPP.

Warrants

As of December 31, 2011, the following warrants to purchase shares of the Company's common stock were outstanding (in thousands, except per share amounts):

Date Issued	Shares	Exercise Price Per Share	Expiration
March 2006	363	$ 37.26	March 2013
August 2005	14	$ 54.60	August 2015
April 2009 (see Note 10)	2,876	$ 1.32	April 2016
October 2009 (see Note 10)	1,716	$ 1.32	October 2016
October 2010 (see Note 10)	3,679	$ 2.52	October 2015
October 2011 (see Note 8)	386	$ 1.30	October 2016
Total warrants outstanding	9,034		

Reserved Shares

As of December 31, 2011, the Company's shares of common stock reserved for future issuance were as follows (in thousands):

	Shares Available for Future Grant	Outstanding Securities	Total Shares Reserved
Warrants	—	9,034	9,034
Stock option plans	943	5,099	6,042
Employee stock purchase plan	439	—	439
Total reserved shares of common stock	1,382	14,133	15,515

11. Stock-Based Compensation

Overview

Employee stock-based compensation expense is calculated based on the grant-date fair value of awards ultimately expected to vest, 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. The following table summarizes stock-based compensation expense related to the Company's stock-based awards for the periods indicated (in thousands):

	Year ended December 31,		
	2011	2010	2009
Research and development	$ 630	$300	$ 227
General and administrative	739	570	1,084
Employee stock-based compensation expense	1,369	870	1,311
Non-employee stock-based compensation expense	19	7	29
Total stock-based compensation expense	$1,388	$877	$1,340

Fair Value of Awards

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

	Year Ended December 31,		
	2011	2010	2009
	Stock Option Plans		
Assumptions:			
Expected term (years)	5.5	4.5	4.5
Expected volatility	85.0 %	90.4 %	86.7 %
Risk-free interest rate	1.9%	1.7%	1.9%
Expected dividend yield	0.0%	0.0%	0.0%
Fair value:			
Weighted-average estimated grant date fair value per share	$ 1.42	$ 2.10	$ 1.86
Options granted to employees (in thousands)	4,179	58	675
Total estimated grant date fair value (in thousands)	$5,915	$ 121	$1,254

The estimated fair value of stock options that vested in the years ended December 31, 2011, 2010 and 2009, was $1.4 million, $0.8 million and $1.2 million, respectively. The Company based its assumptions for the expected term on historical cancellation and exercise data, and the contractual term and vesting terms of the awards. Expected volatility is based on historical volatility of the Company's common stock, as well as that for a mature peer group of companies in the same industry. The Company does not anticipate paying any cash dividends in the foreseeable future, and therefore uses an expected dividend yield of zero.

Option Plan Activity

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

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2008	775	$ 20.66		
Options granted	684	$ 2.82		
Options exercised	(1)	$ 8.64		
Options canceled, forfeited or expired	(390)	$ 19.06		
Outstanding as of December 31, 2009	1,068	$ 9.83		
Options granted	64	$ 3.06		
Options exercised	(1)	$ 2.94		
Options canceled, forfeited or expired	(66)	$ 13.55		
Outstanding as of December 31, 2010	1,065	$ 9.19		
Options granted	4,209	$ 2.03		
Options canceled, forfeited or expired	(175)	$ 2.63		
Outstanding as of December 31, 2011	5,099	$ 3.51	8.84	$ —
Vested and expected to vest as of December 31, 2011	4,607	$ 3.67	8.77	$ —
Exercisable as of December 31, 2011	1,317	$ 7.59	7.18	$ —

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, 2011.

The intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was zero, $3,000 and $1,000, 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 $5.3 million as of December 31, 2011, 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 3.3 years.

12. 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 and comprehensive income (loss) 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, 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.

13. 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 (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Tax at statutory rate	$(6,848)	$(8,359)	$(13,677)
Current year net operating losses and temporary differences for which no tax benefit is recognized	8,549	6,973	6,341
Non-cash expense (credit) related to financings	(1,995)	1,246	7,146
Other permanent differences	294	140	190
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 (in thousands):

	December 31,	
	2011	2010
Deferred tax assets:		
Federal and state net operating loss carry-forwards	$ 104,757	$ 95,547
Federal and state research credit carry-forwards	10,515	9,660
Capitalized research costs	5,177	5,098
Stock-based compensation and other	2,018	1,808
Property and equipment	162	183
Gross deferred tax assets	122,629	112,296
Valuation allowance	(122,629)	(112,296)
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 $10.3 million, $8.9 million and $7.7 million during the years ended December 31, 2011, 2010 and 2009, respectively.

As of December 31, 2011, the Company had federal net operating loss carry-forwards of $278.2 million and federal research and development tax credit carry-forwards of $6.5 million. If not utilized, the federal net operating loss and tax credit carry-forwards will expire at various dates beginning in 2018. As of December 31, 2011, the Company had state net operating loss carry-forwards of $169.3 million, which begin to expire in 2012, and state research and development tax credit carry-forwards of $5.9 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, 2011 and 2010, 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.

14. 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, 2011.

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

	Three Months Ended							
	Mar. 31, 2011	June 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2010	June 30, 2010	Sep. 30, 2010	Dec. 31, 2010
Revenue	$ 4,000	$ —	$ 1,000	$ —	$ 13	$ 14	$ —	$ 6
Net loss	$ 1,840	$ (8,227)	$ (5,014)	$ (8,740)	$ (4,648)	$ (4,784)	$ (5,084)	$ (10,071)
Basic and diluted net income (loss) attributable to common stockholders per common share	$ 0.04	$ (0.18)	$ (0.11)	$ (0.19)	$ (0.65)	$ (0.44)	$ (0.14)	$ (0.23)
Shares used in computing net income (loss) attributable to common stockholders per common share:								
Basic	45,894	46,295	46,714	46,733	7,142	10,912	36,970	43,879
Diluted	47,866	46,295	46,714	46,733	7,142	10,912	36,970	43,879

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, 2011, 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, 2011. 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, 2011, our internal control over financial reporting was effective at the reasonable assurance level.

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, 2011 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, 2011, and certain information included therein is incorporated herein by reference.

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

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

Code of Business Conduct & Ethics

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

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

ITEM 11. *EXECUTIVE COMPENSATION*

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

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

Ownership of Sunesis Securities

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

Equity Compensation Plan Information

The following table provides certain information with respect to our equity compensation plans in effect as of December 31, 2011:

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)	5,099,447(2)	$ 3.51	1,381,939(3)
Equity Compensation Plans Not Approved by Stockholders	—	$ —	—
Total	5,099,447	$ 3.51	1,381,939

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

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

(3) Includes (i) 942,409 shares of common stock available for issuance under our 2011 Plan and (ii) 439,530 shares of common stock available for issuance under our ESPP. Beginning in 2012, the number of shares of common stock reserved under the 2011 Plan automatically increases on January 1st of each year by an amount equal to: (i) 4.0% of our shares of common stock outstanding on December 31st of the preceding calendar year, or (ii) a lesser amount determined by our Board of Directors. The number of shares of common stock reserved under our ESPP automatically increases on January 1st of each year by an amount equal to: (i) 1.0% of our shares of common stock outstanding on December 31st of the preceding calendar year, or (ii) a lesser amount determined by our Board of Directors.

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

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

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

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

PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

Exhibits and Financial Statement Schedules:

(a)(1) Financial Statements

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Consolidated Balance Sheets	53
Consolidated Statements of Operations and Comprehensive Income (Loss)	54
Consolidated Statements of Stockholders' Equity	55
Consolidated Statements of Cash Flows	56
Notes to Consolidated Financial Statements	57

(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 14, 2012.

SUNESIS PHARMACEUTICALS, INC.

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

POWER OF ATTORNEY 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 14, 2012
/S/ DANIEL N. SWISHER, JR. Daniel N. Swisher, Jr.	President, Chief Executive Officer and Director *(Principal Executive Officer)*	March 14, 2012
/S/ ERIC H. BJERKHOLT Eric H. Bjerkholt	Executive Vice President, Corporate Development and Finance, Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	March 14, 2012
/S/ MATTHEW K. FUST Matthew K. Fust	Director	March 14, 2012
/S/ EDWARD HURWITZ Edward Hurwitz	Director	March 14, 2012
/S/ STEVEN B. KETCHUM PH. D Steven B. Ketchum, Ph. D.	Director	March 14, 2012

Signature	Title	Date
/S/ HELEN S. KIM Helen S. Kim	Director	March 14, 2012
/S/ DAYTON MISFELDT Dayton Misfeldt	Director	March 14, 2012
/S/ HOMER L. PEARCE, PH.D. HOMER L. PEARCE, PH.D.	Director	March 14, 2012
/S/ DAVID C. STUMP, M.D. David C. Stump, M.D.	Director	March 14, 2012

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	10-K	000-51531	4.2	3/29/2011	
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	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.8†	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	
10.9	Warrant, dated August 25, 2005, issued to Horizon Technology Funding Company II LLC	S-1/A	333-121646	10.40	9/1/2005	
10.10	Warrant, dated August 25, 2005, issued to Horizon Technology Funding Company III LLC	S-1/A	333-121646	10.41	9/1/2005	
10.11	Warrant, dated August 25, 2005, issued to Oxford Finance Corporation	S-1/A	333-121646	10.42	9/1/2005	
10.12	Warrant, dated September 9, 2005, issued to General Electric Capital Corporation	10-K	000-51531	10.16	3/29/2011	
10.13*	Amended and Restated 2006 Employment Commencement Incentive Plan	10-K/A	000-51531	10.32	4/30/2009	
10.14	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	
10.15	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	
10.16	Form of Warrant	8-K	000-51531	10.46	3/22/2006	
10.17†	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	
10.18*	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	
10.19*	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	
10.20*	Forms of Stock Option Grant Notice and Stock Option Agreement under the 2005 Equity Incentive Award Plan	8-K	000-51531	10.52	9/19/2007	
10.21*	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	
10.22*	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	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.23*	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	
10.24*	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	
10.25	Summary of Non-Employee Director Cash Compensation Arrangements	10-Q	000-51531	10.2	8/13/2010	
10.26	Form of Warrant to purchase shares of Common Stock	8-K	000-51531	10.2	4/3/2009	
10.27	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	
10.28	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	
10.29	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	
10.30	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	
10.31	Sales Agreement, dated April 29, 2010, between the Registrant and Cantor Fitzgerald & Co.	8-K	000-51531	10.1	4/29/2010	
10.32*	Sunesis Pharmaceuticals, Inc. 2011 Bonus Program	8-K	000-51531	10.1	2/18/2011	
10.33	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	
10.34	Form of Warrant to Purchase Common Stock of the Registrant	8-K	000-51531	4.1	10/1/2010	
10.35	Master Services Agreement, dated November 3, 2003, by and between the Registrant and AAI Developmental Services Inc.	10-K	000-51531	10.49	3/29/2011	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.36	First Amendment to Master Services Agreement, dated September 11, 2006, by and between the Registrant and AAIPharma Inc.	10-K	000-51531	10.50	3/29/2011	
10.37	Second Amendment to Master Services Agreement, dated May 2, 2008, by and between the Registrant and AAIPharma Inc.	10-K	000-51531	10.51	3/29/2011	
10.38	Third Amendment to Master Services Agreement, dated November 3, 2009, by and between the Registrant and AAIPharma Services Corp.	10-K	000-51531	10.52	3/29/2011	
10.39	Master Services Agreement, dated January 1, 2010, by and between the Registrant and Albany Molecular Research, Inc.	10-K	000-51531	10.53	3/29/2011	
10.40	Master Services Agreement, dated June 21, 2010, by and between the Registrant and Icon Clinical Research Limited	10-K	000-51531	10.54	3/29/2011	
10.41	Master Services Agreement, dated August 26, 2004, by and between the Registrant and Quintiles, Inc.	10-Q	000-51531	10.2	5/12/2011	
10.42	First Amendment to Master Services Agreement, dated August 1, 2008, by and between the Registrant and Aptuit, Inc. (as assignee of Quintiles, Inc.)	10-Q	000-51531	10.3	5/12/2011	
10.43	Amended and Restated Collaboration Agreement, dated March 31, 2011, by and between the Registrant and Biogen Idec MA Inc.	10-Q/A	000-51531	10.4	6/30/2011	
10.44	License Agreement, dated March 31, 2011, by and between the Registrant and Millennium Pharmaceuticals, Inc.	10-Q/A	000-51531	10.5	6/30/2011	
10.45	Termination and Transition Agreement, dated March 31, 2011, by and between the Registrant, Biogen Idec MA Inc. and Millennium Pharmaceuticals, Inc.	10-Q	000-51531	10.6	5/12/2011	
10.46*	Sunesis Pharmaceuticals, Inc. 2011 Equity Incentive Plan	S-8	333-174732	99.1	6/6/2011	
10.47*	Sunesis Pharmaceuticals, Inc. 2011 Employee Stock Purchase Plan	S-8	333-174732	99.2	6/6/2011	
10.48	Sales Agreement, dated August 11, 2011, between Sunesis Pharmaceuticals, Inc. and Cantor Fitzgerald & Co.	8-K	000-51531	10.1	8/11/2011	
10.49	Loan and Security Agreement among Sunesis Pharmaceuticals, Inc., Oxford Finance LLC, Silicon Valley Bank and Horizon Technology Finance Corporation, dated as of October 18, 2011	8-K	000-51531	10.1	10/19/2011	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.50	Warrant to Purchase Stock issued to Oxford Finance LLC, dated as of October 18, 2011	8-K	000-51531	10.2	10/19/2011	
10.51	Warrant to Purchase Stock issued to Silicon Valley Bank, dated as of October 18, 2011	8-K	000-51531	10.3	10/19/2011	
10.52	Warrant to Purchase Stock issued to Horizon Technology Finance Corporation, dated as of October 18, 2011	8-K	000-51531	10.4	10/19/2011	
10.53	Fifth Agreement Regarding Private Placement of Securities of Sunesis Pharmaceuticals, Inc., dated as of February 2, 2012, by and among the Registrant and the investors identified on the signature pages thereto	8-K	000-51531	10.1	2/3/2012	
10.54*	Letter Agreement, dated February 2, 2012, by and between Sunesis Pharmaceuticals, Inc. and Steven B. Ketchum	8-K	000-51531	10.2	2/3/2012	
10.55*	Offer Letter, dated January 31, 2012, by and between Sunesis Pharmaceuticals, Inc. and Adam R. Craig					X
10.56*	Executive Severance Benefits Agreement, dated January 31, 2012, by and between Sunesis Pharmaceuticals, Inc. and Adam R. Craig					X
10.57*	Forms of Stock Option Grant Notice and Option Agreement under the 2011 Equity Incentive Plan					X
10.58*	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2011 Equity Incentive Plan					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
24.1	Power of Attorney					(included on Signature page)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act					X
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

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
101.INS	XBRL Instance Document					(1)
101.SCH	XBRL Taxonomy Extension Schema Document					(1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					(1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					(1)
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document					(1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					(1)

* 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.

(1) Pursuant to applicable securities laws and regulations, the Registrant is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Registrant has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act are deemed not filed for purposes of Section 18 of the Exchange Act.

Exhibit 10.55

January 31, 2012

Adam Craig

Dear Adam:

On behalf of Sunesis Pharmaceuticals, Inc. (the "Company"), I am delighted to offer you the position of Executive Vice President, Development and Chief Medical Officer, reporting to me, at an annual salary of $400,000 (less payroll deductions and required withholdings).

Upon joining, you will be granted an option to purchase 600,000 shares of common stock. The option will vest over a four-year period, with 25% of the shares vesting after twelve months and 1/48th of the total vesting at the end of each month thereafter, until either the option is fully vested or your employment ends, whichever occurs first. The option will be governed in all respects by the terms of a stock option agreement, grant notice, and applicable plan documents, and shall only be granted if approved by the Compensation Committee. The per share exercise price of the option shall be equal to the fair market value of a share of Company common stock on the date of grant in accordance with the terms of the Company's 2011 Equity Incentive Plan.

You will be eligible to participate in our employee benefits program, which includes medical, dental, life and vision insurance, a 401(k) retirement program, and paid vacation time, subject to the terms and conditions of those plans. Please note that the Company may change your position, duties, work location, compensation and benefits from time to time at its discretion.

You will be covered by the Company's director's and officer's liability insurance as in effect from time to time in the same manner as other members of the Company's senior management team.

In addition, you will be eligible to participate in the Sunesis Pharmaceuticals Bonus Program, with a target annual bonus of 40% of your annual salary, subject to approval of, and future amendment by, the Board, subject to the terms and conditions of the Program.

We agree to enter into the following agreements with you on or prior to your first day of employment: an Executive Severance Benefits Agreement and an Indemnification Agreement, in the forms attached as Exhibit A and B, respectively. As a condition of employment, you agree to comply with all of our Policies and Procedures and sign a Confidential Information and Invention Assignment Agreement with the Company. On your first day of employment, please plan to meet with a representative of Human Resources for new employee orientation.

In accordance with federal law, your employment is contingent upon your presentation of evidence supporting your eligibility to be employed in the United States. Accordingly, we request that you provide us with originals of the appropriate documents for this purpose. A list of the documents deemed acceptable is included on the reverse of the I-9 Form, which is included in this letter. Please bring the completed I-9 form and appropriate documents with you to your new-hire orientation.

Your relationship with the Company will be at-will, which means that either the Company or you may terminate the relationship at any time, with or without cause and with or without advance notice.

This letter, together with your Confidential Information Agreement, Severance Agreement, and Indemnification Agreement, form the complete and exclusive statement of your agreement with the Company concerning the subject matter hereof. The terms in this letter supersede any other representations or agreements made to you by any party, whether oral or written. The terms of this agreement cannot be changed (except with respect to those changes expressly reserved to the Company's discretion in this letter) without a written agreement signed by you and a duly authorized officer of the Company. This agreement is to be governed by the laws of the state of California.

Adam, we are all very excited about having you join the Sunesis team and would like you to start on March 1, 2012. We believe you will be a key contributor to Sunesis' future success. To accept our offer under the terms described above, please sign and date this letter, return it to me by Tuesday, January 31, 2011 and keep the copy for your files.

If you have any questions regarding this offer, please let me know.

Sincerely,

/s/ Daniel N. Swisher, Jr.
Daniel N. Swisher, Jr.
Chief Executive Officer
and President

I have read and accept this
employment offer.

/s/ Adam Craig
Adam Craig

January 31, 2012
Date

Exhibit A

Executive Severance Benefits Agreement

Exhibit B

Indemnification Agreement

Exhibit 10.56

EXECUTIVE SEVERANCE BENEFITS AGREEMENT

This **EXECUTIVE SEVERANCE BENEFITS AGREEMENT** (the "***Agreement***") is entered into this 31st day of January, 2012 (the "***Effective Date***"), between **ADAM R. CRAIG** ("***Executive***") and **SUNESIS PHARMACEUTICALS, INC.** This Agreement is intended to provide Executive with the compensation and benefits described herein upon the occurrence of specific events. Certain capitalized terms used in this Agreement are defined in Article 5.

ARTICLE 1

SCOPE OF AND CONSIDERATION FOR THIS AGREEMENT

1.1 Position and Duties. Executive shall be employed by the Company as its Executive Vice President, Development and Chief Medical Officer, subject to the terms and conditions set forth in Executive's offer letter from the Company. Executive reports directly to the Chief Executive Officer.

1.2 Restrictions. During his employment by the Company, Executive agrees to the best of his ability and experience that he will at all times loyally and conscientiously perform all of the duties and obligations required of and from him as Executive Vice President, Development and Chief Medical Officer. During the term of his employment, Executive further agrees that he will devote all of his business time and attention to the business of the Company, the Company will be entitled to all of the benefits and profits arising from or incident to all such work, services and advice, Executive will not render commercial or professional services of any nature to any person or organization, whether or not for compensation, without the prior written consent of the Board, and Executive will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of the Company. The Company is aware that Executive is currently actively engaged in those activities listed in Attachment 1 and consents to his continued participation in such activities provided such participation does not result in a material conflict of interest with the Company. Nothing in this Agreement will prevent Executive from accepting speaking or presentation engagements in exchange for honoraria or from service on boards of charitable organizations or otherwise participating in civic, charitable or fraternal organizations, or from owning no more than one percent (1%) of the outstanding equity securities of a corporation whose stock is listed on a national stock exchange. It is contemplated that Executive may provide consulting services to non-competitive companies, and the Sunesis Board of Directors will not unreasonably withhold its consent from such services. Such services shall not exceed 8 hours per week.

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

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

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

ARTICLE 2

CHANGE OF CONTROL BENEFITS & SEVERANCE BENEFITS

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

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

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

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

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

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

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

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

ARTICLE 3

LIMITATIONS AND CONDITIONS UPON BENEFITS

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

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

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

ARTICLE 4

PARACHUTE PAYMENTS

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

ARTICLE 5

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) there is a material diminution in the authority, duties or responsibilities of Executive, or the assignment to Executive of duties that are materially inconsistent with and materially adverse to Executive's position;

(ii) a change in the Executive's direct reporting relationship so that Executive no longer reports directly to the Chief Executive Officer;

(iii) there is a material reduction in Executive's Base Salary, unless the base salaries of all other executives are similarly reduced;

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 6

GENERAL PROVISIONS

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

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

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

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

6.5 Dispute Resolution. To ensure the timely and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the

Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, including but not limited to statutory claims, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in San Francisco, California, conducted by JAMS, Inc. ("JAMS") under the then applicable JAMS rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required of the Executive if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

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

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

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

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

6.10 Successors and Assigns. This Agreement is intended to bind and inure to the

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

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

6.12 Non-Publication. The parties mutually agree not to disclose publicly the terms of this Agreement except to the extent that disclosure is mandated by applicable law or regulation or to their respective advisors (*e.g.*, attorneys, accountants).

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

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date written above.

SUNESIS PHARMACEUTICALS, INC.	**ADAM R. CRAIG**
By: /s/ Daniel N. Swisher, Jr.	/s/ Adam R. Craig
Name: Daniel N. Swisher, Jr.	
Title: President and Chief Executive Officer	

Attachment 1: List of Outside Activities
Exhibit A: Release (Individual Termination)
Exhibit B: Release (Group Termination)

Attachment 1

List of Outside Activities

1. Consulting relationship to Teva Pharmaceutical Industries Ltd. – anticipated to be short term.

2. Commercial Review Committee membership for Cancer Prevention and Research Institute of Texas.

EXHIBIT A

RELEASE
(INDIVIDUAL TERMINATION)

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

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

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

Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

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

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

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

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

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

ADAM R. CRAIG

_____

Date: _____

EXHIBIT B

RELEASE
(GROUP TERMINATION)

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

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

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

Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

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

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

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

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

(**Signature Page Follows)**

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

ADAM R. CRAIG

_____

Date: _____

Exhibit 10.57

SUNESIS PHARMACEUTICALS, INC.
STOCK OPTION GRANT NOTICE
(2011 EQUITY INCENTIVE PLAN)

Sunesis Pharmaceuticals, Inc. (the "***Company***"), pursuant to its 2011 Equity Incentive Plan (the "***Plan***"), hereby grants to Optionholder an option to purchase the number of shares of the Company's Common Stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in the Option Agreement, the Plan, and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety.

Optionholder:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	_____

Type of Grant: ☐ Incentive Stock Option ☐ Nonstatutory Stock Option

Exercise Schedule: ☐ Same as Vesting Schedule

Vesting Schedule: Subject to Optionholder's Continuous Service on each vesting date, [1/4th of the shares vest one year after the Vesting Commencement Date; the balance of the shares vest in a series of 36 successive equal monthly installments measured from the first anniversary of the Vesting Commencement Date.]

Payment: By one or a combination of the following items (described in the Option Agreement):

☒ By cash or check

☒ By bank draft or money order payable to the Company

☒ Pursuant to a Regulation T Program if the Shares are publicly traded

☒ By delivery of already-owned shares if the Shares are publicly traded

☒ If and only to the extent this option is a Nonstatutory Stock Option, and subject to the Company's consent at the time of exercise, by a "net exercise" arrangement

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Stock Option Grant Notice, the Option Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Stock Option Grant Notice, the Option Agreement, and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder by the Company under the Plan or the Company's 1998 Stock Plan, the Company's 2001 Stock Plan, the Company's 2005 Equity Incentive Award Plan or the Company's 2006 Employment Commencement Incentive Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: _____

_____

SUNESIS PHARMACEUTICALS, INC.

By: _____
Signature

Title: _____

Date: _____

OPTIONHOLDER:

_____
Signature

Date: _____

ATTACHMENTS: Option Agreement, 2011 Equity Incentive Plan

ATTACHMENT I

SUNESIS PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

OPTION AGREEMENT
(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice ("***Grant Notice***") and this Option Agreement, Sunesis Pharmaceuticals, Inc. (the "***Company***") has granted you an option under its 2011 Equity Incentive Plan (the "***Plan***") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein and the potential vesting acceleration provisions set forth in Section 9 of the Plan, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments.

3. EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES. In the event that you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (*i.e.*, a "***Non-Exempt Employee***"), and except as otherwise provided in the Plan, you may not exercise your option until you have completed at least six months of Continuous Service measured from the Date of Grant specified in your Grant Notice (the "***Date of Grant***"), notwithstanding any other provision of your option.

4. EXERCISE PRIOR TO VESTING ("EARLY EXERCISE"). If permitted in your Grant Notice (*i.e.*, the "Exercise Schedule" indicates "Early Exercise Permitted") and subject to the provisions of your option, you may elect at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the unvested portion of your option; *provided, however,* that:

(a) a partial exercise of your option shall be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(b) any shares of Common Stock so purchased from installments that have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Company's form of Early Exercise Stock Purchase Agreement;

(c) you shall enter into the Company's form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if no early exercise had occurred; and

(d) if your option is an Incentive Stock Option, then, to the extent that the aggregate Fair Market Value (determined at the time of grant) of the shares of Common Stock with respect to which your option plus all other Incentive Stock Options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Affiliates) exceeds $100,000, your options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

5. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner ***permitted by your Grant Notice,*** which may include one or more of the following:

(a) Provided that at the time of exercise the Common Stock is publicly traded, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(b) Provided that at the time of exercise the Common Stock is publicly traded, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(c) If the Option is a Nonstatutory Stock Option, ***subject to the consent of the Company at the time of exercise***, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise of your option by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided*, *however*, that the Company shall accept a cash or other payment from you to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; provided further, however, that shares of Common Stock will no longer be outstanding under your option and will not be exercisable thereafter to the extent that (1) shares are used to pay the exercise price pursuant to the "net exercise," (2) shares are delivered to you as a result of such exercise, and (3) shares are withheld to satisfy tax withholding obligations.

6. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

7. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

8. TERM. You may not exercise your option before the commencement or after the expiration of its term. The term of your option commences on the Date of Grant and expires, subject to the provisions of Section 5(h) of the Plan, upon the earliest of the following:

(a) immediately upon the termination of your Continuous Service for Cause;

(b) three months after the termination of your Continuous Service for any reason other than Cause, your Disability or death (except as otherwise provided in Section 4(d) below), provided that if during any part of such three month period your option is not exercisable solely because of the condition set forth in Section 7 above relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three months after the termination of your Continuous Service; and if (i) you are a Non-Exempt Employee, (ii) your Continuous Service terminates within six months after the Date of Grant, and (iii) you have vested in a portion of your option at the time of your termination of Continuous Service, your option shall not expire until the earlier of (x) the later of (A) the date that is seven months after the Date of Grant, (B) the date that is three months after the termination of your Continuous Service, or (y) the Expiration Date;

(c) 18 months after the termination of your Continuous Service due to your Disability;

(d) 18 months after your death if you die either during your Continuous Service or within three months after your Continuous Service terminates for any reason other than Cause;

(e) the Expiration Date indicated in your Grant Notice; or

(f) the day before the tenth anniversary of the Date of Grant.

Notwithstanding the foregoing, if you die during the period provided in Section 8(b) or 8(c) above, the term of your option shall not expire until the earlier of 18 months after your death, the Expiration Date indicated in your Grant Notice, or the day before the tenth anniversary of the Date of Grant.

If your option is an Incentive Stock Option, note that to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the Date of Grant and ending on the day three months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event

of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three months after the date your employment with the Company or an Affiliate terminates.

9. Exercise.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within 15 days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two years after the date of your option grant or within one year after such shares of Common Stock are transferred upon exercise of your option.

10. TRANSFERABILITY. Except as otherwise provided in this Section 10, your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you.

(a) Certain Trusts. Upon receiving written permission from the Board or its duly authorized designee, you may transfer your option to a trust if you are considered to be the sole beneficial owner (determined under Section 671 of the Code and applicable state law) while the option is held in the trust, provided that you and the trustee enter into transfer and other agreements required by the Company.

(b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your option pursuant to a domestic relations order that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this option with the Company prior to finalizing the domestic relations order to help ensure the required information is contained within the domestic relations order. If this option is an Incentive Stock Option, this option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(c) Beneficiary Designation. Upon receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company and any broker designated by the Company to effect option exercises, designate a third party who, in the event of your death, shall thereafter be entitled to exercise this option and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, your executor or administrator of your estate shall be entitled to exercise this option and receive, on behalf of your estate, the Common Stock or other consideration resulting from such exercise.

11. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

12. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and in compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of your option as a liability for financial accounting purposes). If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise

your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock unless such obligations are satisfied.

13. TAX CONSEQUENCES. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You shall not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your option or your other compensation. In particular, you acknowledge that this option is exempt from Section 409A of the Code only if the exercise price per share specified in the Grant Notice is at least equal to the "fair market value" per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the option.

14. NOTICES. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

15. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

ATTACHMENT II

2011 EQUITY INCENTIVE PLAN

Exhibit 10.58

SUNESIS PHARMACEUTICALS, INC.
RESTRICTED STOCK UNIT GRANT NOTICE
2011 EQUITY INCENTIVE PLAN

Sunesis Pharmaceuticals, Inc. (the "***Company***"), pursuant to its 2011 Equity Incentive Plan (the "***Plan***"), hereby awards to Participant a Restricted Stock Unit award for the number of shares of the Company's Common Stock set forth below (the "***Award***"). The Award is subject to all of the terms and conditions as set forth herein and in the Plan and the Restricted Stock Unit Agreement (the "***Award Agreement***"), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in the Award and the Plan, the terms of the Plan shall control.

Participant:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Restricted Stock Units:	_____
Consideration:	Participant's past services

Vesting Schedule: [ ]. Notwithstanding the foregoing, vesting shall terminate upon the Participant's termination of Continuous Service (as defined in the Award Agreement).

Issuance Schedule: The shares will be issued in accordance with the issuance schedule set forth in Section 6 of the Award Agreement, but in all cases not later than the date that is the 15th day of the third calendar month of the year following the year in which the shares of Common Stock under this Award are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulation Section 1.409A-1(d) such that this Award is exempt from Section 409A of the Code under Treasury Regulation Section 1.409A-1(b)(4) as a short term deferral. Each installment of Restricted Stock Units that vests hereunder is intended to constitute a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

Additional Terms/Acknowledgements: The undersigned Participant acknowledges receipt of, and understands and agrees to, this Restricted Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Restricted Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the award of Restricted Stock Units and supersedes all prior oral and written agreements on that subject, with the exception of (i) awards previously granted and delivered to Participant under the Plan and the Company's 1998 Stock Plan, the Company's 2001 Stock Plan, the Company's 2005 Equity Incentive Award Plan or the Company's 2006 Employment Commencement Incentive Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: _____

_____

SUNESIS PHARMACEUTICALS, INC.	**PARTICIPANT:**
By: _____	_____
Signature	Signature
Title: _____	Date: _____
Date: _____	

ATTACHMENTS: Award Agreement, 2011 Equity Incentive Plan

ATTACHMENT I

SUNESIS PHARMACEUTICALS, INC.
2011 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

Pursuant to the Restricted Stock Unit Grant Notice (the "***Grant Notice***") and this Restricted Stock Unit Agreement (the "***Agreement***") and in consideration of your services, Sunesis Pharmaceuticals, Inc. (the "***Company***") has awarded you a Restricted Stock Unit award (the "***Award***") under its 2011 Equity Incentive Plan (the "***Plan***") for the number of Restricted Stock Units indicated in the Grant Notice. Defined terms not explicitly defined in this Agreement or in the Grant Notice shall have the same meanings given to them in the Plan. In the event of any conflict between the terms in this Agreement and the Plan, the terms of the Plan shall control. The details of your Award, in addition to those set forth in the Grant Notice and the Plan, are as follows.

1. GRANT OF THE AWARD. Subject to adjustment and the terms and conditions as provided herein and in the Plan, this Award represents your right to be issued on a future date one share of the Company's Common Stock for each Restricted Stock Unit that vests. This Award was granted in consideration of your services to the Company. Except as otherwise provided in this Agreement, you will not be required to make any payment to the Company (other than past and future services to the Company) with respect to your receipt of the Award, the vesting of the shares or the delivery of the underlying Common Stock.

2. VESTING. Subject to the limitations contained in this Agreement, your Restricted Stock Units shall vest as provided in the Grant Notice, provided that vesting shall cease upon the termination of your Continuous Service. Any Restricted Stock Units that have not yet vested shall be forfeited upon the termination of your Continuous Service.

3. NUMBER OF RESTRICTED STOCK UNITS & SHARES OF COMMON STOCK.

(a) The Restricted Stock Units subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

(b) Any additional Restricted Stock Units and any shares, cash or other property that become subject to the Award pursuant to this Section 3 shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units and shares covered by your Award.

(c) Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. Any fraction of a share will be rounded down to the nearest whole share.

4. SECURITIES LAW COMPLIANCE. You may not be issued any Common Stock underlying the Restricted Stock Units or other shares with respect to your Restricted Stock Units unless either (i) the shares are registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award also must comply with other applicable laws and regulations governing the Award, and you will not receive shares underlying your Restricted Stock Units if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. TRANSFERABILITY. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of any portion of the Restricted Stock Units or the shares in respect of your Restricted Stock Units. For example, you may not use shares that may be issued in respect of your Restricted Stock Units as security for a loan, nor may you transfer, pledge, sell or otherwise dispose of such shares. This restriction on transfer will lapse upon delivery to you of shares in respect of your vested Restricted Stock Units.

(a) Death. Your Restricted Stock Units are not transferable other than by will and by the laws of descent and distribution. In addition, upon receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company and any broker designated by the Company to effect transactions under the Plan, designate a third party who, in the event of your death, shall thereafter be entitled to receive any distribution of Common Stock or other consideration to which you were entitled at the time of your death pursuant to this Agreement. In the absence of such a designation, your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, such Common Stock or other consideration.

(b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your Restricted Stock Units or your right to receive the distribution of Common Stock or other consideration thereunder, pursuant to a domestic relations order that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of the Restricted Stock Units with the Company prior to finalizing the domestic relations order to help ensure the required information is contained within the domestic relations order.

6. DATE OF ISSUANCE.

(a) The issuance of shares in respect of the Restricted Stock Units is intended to comply with Treasury Regulation Section 1.409A-1(b)(4) and shall be construed and administered in such a manner.

(b) Subject to the satisfaction of the withholding obligations set forth in Section 10 of this Agreement, in the event one or more Restricted Stock Units vests, the Company shall issue to you one share of Common Stock for each Restricted Stock Unit that vests on the applicable vesting dates. The issuance date determined by this paragraph is referred to as the "***Original Issuance Date***." If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day.

(c) Notwithstanding the foregoing, if (i) the Original Issuance Date does not occur (1) during an "open window period" applicable to you, as determined by the Company in accordance with the Company's then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market, and (ii) the Company elects, prior to the Original Issuance Date, (1) not to satisfy the tax withholding obligations described in Section 10 by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to you under this Award, and (2) not to permit you to enter into a "same day sale" commitment with a broker-dealer pursuant to Section 10 of this Agreement (including but not limited to a commitment under a previously established Company-approved 10b5-1 trading plan), then such shares shall not be delivered on such Original Issuance Date and shall instead be delivered on the first business day of the next occurring open window period applicable to you or the next business day when you are not prohibited from selling shares of the Company's Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if permitted in a manner that complies with Treasury Regulation Section 1.409A-1(b)(4), in no event later than the date that is the 15th day of the third calendar month of the year following the year in which the shares of Common Stock under this Award are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulation Section 1.409A-1(d).

7. DIVIDENDS. You shall receive no benefit or adjustment to your Restricted Stock Units with respect to any cash dividend, stock dividend or other distribution except as provided in the Plan with respect to a Capitalization Adjustment; *provided*, *however*, that this sentence shall not apply with respect to any shares of Common Stock that are delivered to you in connection with your Restricted Stock Units after such shares have been delivered to you.

8. RESTRICTIVE LEGENDS. The Common Stock issued with respect to your Restricted Stock Units shall be endorsed with appropriate legends determined by the Company.

9. AWARD NOT A SERVICE CONTRACT. Your Continuous Service is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the vesting of your Restricted Stock Units or the issuance of the shares subject to your Restricted Stock Units), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ or service of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

10. WITHHOLDING OBLIGATIONS.

(a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Restricted Stock Units, or at any time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with your Award (the "***Withholding Taxes***"). Additionally, the Company or an Affiliate may, in its sole discretion, satisfy all or any portion of the Withholding Taxes obligation relating to your Award by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company or an Affiliate; (ii) causing you to tender a cash payment; (iii) permitting you to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "***FINRA Dealer***") whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Restricted Stock Units to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its Affiliates or (iv) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with your Restricted Stock Units with a Fair Market Value (measured as of the date shares of Common Stock are issued to you) equal to the amount of such Withholding Taxes; *provided, however*, that the number of such shares of Common Stock so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

(b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock.

(c) In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

11. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of vested Restricted Stock Units, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

12. OTHER DOCUMENTS. You hereby acknowledge receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time.

13. NOTICES. Any notices provided for in this Agreement or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

14. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. Your rights and obligations under your Award may only be assigned with the prior written consent of the Company.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

15. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Except as expressly provided in this Agreement, in the event of any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan shall control.

16. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

17. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating the Employee's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

18. CHOICE OF LAW. The interpretation, performance and enforcement of this Agreement will be governed by the law of the state of Delaware without regard to such state's conflicts of laws rules.

19. AMENDMENT. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided in this Agreement.

20. COMPLIANCE WITH SECTION 409A OF THE CODE. This Award is intended to comply with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from and therefore deemed to be deferred compensation subject to Section 409A, and if you are a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six months thereafter will not be made on the originally scheduled dates and will instead be issued in a lump sum on the date that is six months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

21. NO OBLIGATION TO MINIMIZE TAXES. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

8.

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, 333-160528 and 333-174732) pertaining to the 1998 Stock Plan, 2001 Stock Plan, 2005 Equity Incentive Award Plan, Amended and Restated 2006 Employment Commencement Incentive Plan, Employee Stock Purchase Plan, 2011 Equity Incentive Plan and 2011 Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc., of our report dated March 14, 2012, 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, 2011.

/s/ Ernst & Young LLP

Redwood City, California
March 14, 2012

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 14, 2012

/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 14, 2012

/S/ ERIC H. BJERKHOLT
Eric H. Bjerkholt
Executive 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, 2011, 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 14th day of March, 2012.

/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.