UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 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	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value	SNSS	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

The registrant had approximately 111,393,000 shares of common stock, $0.0001 par value per share, outstanding as of May 4, 2020.

SUNESIS PHARMACEUTICALS, INC.
TABLE OF CONTENTS

Item 1. Financial Statements

SUNESIS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2020 (Unaudited)	December 31, 2019 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,974	$ 12,761
Restricted cash	5,500	5,500
Marketable securities	3,445	16,364
Prepaids and other current assets	1,790	1,697
Total current assets	30,709	36,322
Property and equipment, net	1	3
Operating lease right-of-use asset	681	817
Other assets	96	98
Total assets	$ 31,487	$ 37,240
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 862	$ 791
Accrued clinical expense	600	521
Accrued compensation	746	985
Other accrued liabilities	1,039	1,109
Notes payable	5,469	5,465
Operating lease liability - current	545	545
Total current liabilities	9,261	9,416
Other liabilities	4	9
Operating lease liability - long term	136	272
Total liabilities	9,401	9,697
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock	11,769	11,769
Common stock	11	11
Additional paid-in capital	698,881	698,562
Accumulated other comprehensive income	—	1
Accumulated deficit	(688,575)	(682,800)
Total stockholders' equity	22,086	27,543
Total liabilities and stockholders' equity	$ 31,487	$ 37,240

(1) The condensed consolidated balance sheet as of December 31, 2019, has been derived from the audited financial statements as of that date included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

See accompanying notes to condensed consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)

	Three months ended March 31,	
	2020	2019
	(Unaudited)	
Revenue:		
License and other revenue	$ 120	$ —
Total revenues	120	—
Operating expenses:		
Research and development	3,690	3,248
General and administrative	2,228	2,439
Total operating expenses	5,918	5,687
Loss from operations	(5,798)	(5,687)
Interest expense	(70)	(261)
Other income, net	93	88
Net loss	(5,775)	(5,860)
Unrealized loss on available-for-sale securities	(1)	—
Comprehensive loss	$ (5,776)	$ (5,860)
Basic and diluted loss per common share:		
Net loss	$ (5,775)	$ (5,860)
Shares used in computing net loss per common share	111,393	59,142
Net loss per common share	$ (0.05)	$ (0.10)

See accompanying notes to condensed consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three months ended March 31,	
	2020	2019
	(Unaudited)	
Cash flows from operating activities		
Net loss	$ (5,775)	$ (5,860)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	319	417
Accretion of investment discounts and depreciation	(37)	2
Amortization of debt discount and debt issuance costs	4	42
Changes in operating assets and liabilities:		
Prepaids and other assets	(91)	(91)
Accounts payable	71	(532)
Accrued clinical expense	79	(80)
Accrued compensation	(239)	(266)
Other accrued liabilities	(75)	255
Net cash used in operating activities	(5,744)	(6,113)
Cash flows from investing activities		
Purchases of marketable securities	(748)	—
Proceeds from maturities of marketable securities	13,705	—
Net cash provided by investing activities	12,957	—
Cash flows from financing activities		
Principal payments on notes payable	—	(1,406)
Proceeds from issuance of convertible preferred stock offering, net	—	7,944
Proceeds from issuance of common stock, net	—	10,690
Net cash provided by financing activities	—	17,228
Net increase in cash, cash equivalents and restricted cash	7,213	11,115
Cash, cash equivalents and restricted cash at beginning of period	18,261	13,696
Cash, cash equivalents and restricted cash at end of period	$ 25,474	$ 24,811
Supplemental disclosure of non-cash activities		
Conversion of preferred stock to common stock	$ —	$ 3,228
Right-of-use assets obtained in exchange for new operating lease liabilities	$ —	$ 1,362
Legal expenses accrued as cost of equity financing	$ —	$ 98

See accompanying notes to condensed consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Three months ended March 31, 2020 (Unaudited)							
	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stock holders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2019	20	$ 11,769	111,393	$ 11	$ 698,562	$ 1	$ (682,800)	$ 27,543
Stock-based compensation expenses	—	—	—	—	319	—	—	319
Net loss	—	—	—	—	—	—	(5,775)	(5,775)
Unrealized loss on available-for-sale securities	—	—	—	—	—	(1)	—	(1)
Balance as of March 31, 2020	20	$ 11,769	111,393	$ 11	$ 698,881	$ —	$ (688,575)	$ 22,086

	Three months ended March 31, 2019 (Unaudited)							
	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stock holders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2018	18	$ 20,998	37,474	$ 4	$ 642,460	$ —	$ (659,469)	$ 3,993
Issuance of common and preferred stock in underwritten offering, net of issuance costs	17	7,877	23,000	2	10,657	—	—	18,536
Conversion of preferred stock to common stock	(7)	(3,228)	7,000	1	3,227	—	—	—
Issuance of common stock from vesting of restricted stock awards	—	—	104	—	54	—	—	54
Stock-based compensation expenses	—	—	—	—	363	—	—	363
Net loss	—	—	—	—	—	—	(5,860)	(5,860)
Balance as of March 31, 2019	28	$ 25,647	67,578	$ 7	$ 656,761	$ —	$ (665,329)	$ 17,086

See accompanying notes to condensed consolidated financial statements.

1. Company Overview

Description of Business

Sunesis Pharmaceuticals, Inc. ("Sunesis" or the "Company") is a biopharmaceutical company focused on the development of novel targeted inhibitors for the treatment of hematologic and solid 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.

The Company's lead program is vecabrutinib, a selective non-covalent inhibitor of Bruton's Tyrosine Kinase ("BTK") with activity against both wild-type and C481S-mutated BTK, the most common mutation associated with resistance to covalent BTK inhibitors. Ibrutinib was the first BTK inhibitor approved for the treatment of chronic lymphocytic leukemia ("CLL"), mantle cell lymphoma ("MCL"), and other B-cell malignancies. The C481 mutation has been seen in patients who developed resistance to ibrutinib and to acalabrutinib, another covalent BTK inhibitor recently approved for treatment of CLL and MCL.

Vecabrutinib is being studied in a Phase 1b/2 clinical trial to assess safety and activity in patients with CLL and other advanced B-cell malignancies after two or more prior therapies, including ibrutinib or another covalent BTK inhibitor where approved for the disease. The Company has completed the safety evaluation period for the 400 mg cohort, and the seventh cohort, testing 500 mg twice daily, is now in process.

The Company is developing SNS-510, a PDK1 inhibitor that it in-licensed from Millennium Pharmaceuticals, Inc. ("Takeda Oncology"), a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited. SNS-510 interaction with PDK1 inhibits both PI3K signaling and PIP3-independent pathways integral to many malignancies, and PDK1 can also be overexpressed in breast, lung, prostate, hematologic and other cancers.

In December 2019, the Company consented to Takeda Oncology's assignment of TAK-580 to DOT Therapeutics-1, Inc. ("DOT-1"), and the Company entered into a license agreement with DOT-1 to grant DOT-1 a worldwide, exclusive license of TAK-580. Pursuant to this agreement, the Company received a $2.0 million upfront payment from DOT-1 and is eligible to receive up to $57.0 million in pre-commercialization, event-based milestone payments and royalty payments on future sales of TAK-580.

In December 2019, Sumitomo Dainippon Pharma Co., Ltd. ("Sumitomo") assigned to Sunesis worldwide rights to vosaroxin. The Company entered into an agreement (the "Denovo License Agreement") to license vosaroxin to Denovo Biopharma, LLC ("Denovo"), pursuant to which Sunesis received a $200,000 upfront payment and is eligible to receive up to $57.0 million in regulatory and commercial milestones, and double-digit royalties on future sales of vosaroxin.

Liquidity and Going Concern

The Company has incurred significant losses and negative cash flows from operations since its inception, and as of March 31, 2020, the Company had cash and cash equivalents, restricted cash, and marketable securities totaling $28.9 million and an accumulated deficit of $688.6 million.

The Company expects to continue to incur significant losses for the foreseeable future as it continues development of its kinase inhibitor pipeline, including its BTK inhibitor, vecabrutinib. The Company has product candidates that are still in the early stages of development and will require significant additional investment.

The Company's cash and cash equivalents, restricted cash, and marketable securities are not sufficient to support its operations for a period of twelve months from the date these condensed consolidated financial statements are available to be issued. These factors raise substantial doubt about its ability to continue as a going concern. The Company will require additional financing to fund working capital, repay debt and pay its obligations as they come due. Additional financing might include one or more offerings and one or more of a combination of equity securities, debt arrangements or partnership or licensing collaborations. However, there can be no assurance that the Company will be successful in acquiring additional funding at levels sufficient to fund its operations or on terms favorable to the Company. If the Company is unsuccessful in its efforts to raise additional financing in the near term, the Company will be required to significantly reduce or cease operations. The principal payments due under the SVB Loan Agreement (as defined in Note 6) have been classified as a current liability as of March 31, 2020 due to the considerations discussed above and the assessment that the material adverse change clause under the SVB Loan Agreement is not within the Company's control. The SVB Loan Agreement also contains customary events of default, including among other things, the Company's failure to make principal or interest payments when due, the occurrence of certain bankruptcy or insolvency events or its breach of the covenants under the SVB Loan Agreement. Upon the occurrence of an event of default (as defined in Note 6), SVB may, among other things, accelerate the Company's obligations under the SVB Loan Agreement. The Company has not been notified of an event of default by SVB as of the date of the filing of this Form 10-Q. The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments to reflect the possible

future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern.

Concentrations of Credit Risk

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

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The condensed consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) that management believes are necessary for a fair presentation of the periods presented. The balance sheet as of December 31, 2019 was derived from the audited consolidated financial statements as of that date. These interim financial results are not necessarily indicative of results to be expected for the full year or any other period. These unaudited condensed consolidated financial statements and the notes accompanying them should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Various disclosure requirements have been removed, including the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation processes for Level 3 fair value measurements held at the end of the reporting period. The ASU also modified various disclosure requirements and added some disclosure requirements for Level 3 fair value measurements. The additional disclosures on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Company adopted this ASU during the quarter ended March 31, 2020. The adoption of this ASU did not have a significant impact on its condensed financial statements and related disclosures.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which will require a reporting entity to use a new forward-looking impairment model for most financial assets that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, credit losses will be recognized as allowances rather than as reductions in amortized cost. Entities will apply the guidance as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, to increase stakeholders' awareness of the amendments and to expedite improvements to the Codification. In May 2019, the FASB issued ASU 2019-05, *Financial Instruments—Credit Losses, Topic 326*, providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. These ASUs do not change the core principle of the guidance in ASU 2016-13. Instead these amendments are intended to clarify and improve operability of certain topics. In November 2019, FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which defers the effective dates of the new credit losses standard for all entities except SEC filers that are not smaller reporting companies to fiscal years beginning after 15 December 2022, including interim periods within those fiscal years. The standard and other related subsequently issued ASUs will be effective for the Company for annual periods beginning after December 15, 2022, with early adoption permitted beginning in 2019. The Company is currently evaluating the impact that the adoption of the standard and other related subsequently issued ASUs will have on its condensed financial statements and accompanying footnotes.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in this ASU are effective for the Company on January 1, 2021. The Company is currently evaluating the impact that the adoption of ASU 2019-12 will have on its condensed financial statements and accompanying footnotes.

Principles of Consolidation

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

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 condensed consolidated financial statements and accompanying notes thereto. Actual results could differ materially from these estimates. Estimates, assumptions and judgments made by management include those related to valuation of marketable securities, equity and related instruments, revenue recognition, stock-based compensation and clinical trial accounting.

Cash Equivalents, Restricted Cash, 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, repurchase agreements, and corporate debt securities. Restricted cash consists of amounts pledged as collateral for term loan agreement as contractually required by the lender. 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.

Fair Value Measurements

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

Level 1 - Observable input such as 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 for the asset or liability. These include quoted prices for similar assets or liabilities in active markets; and

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3, if any. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts of the Company's financial instruments, including cash, prepayments, accounts payable, accrued liabilities, and notes payable approximated their fair value as of March 31, 2020 and December 31, 2019.

3. Loss per Common Share

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

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

	Three months ended March 31,	
	2020	2019
Warrants to purchase shares of common stock	208	218
Convertible preferred stock	19,714	16,331
Options to purchase shares of common stock	7,960	4,005
Outstanding securities not included in calculations	27,882	20,554

4. Financial Instruments

Financial Assets

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

March 31, 2020	Input Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	Level 1	$ 19,050	$ —	$ —	$ 19,050
U.S. commercial paper	Level 2	3,445	—	—	3,445
Total available-for-sale securities		22,495	—	—	22,495
Less amounts classified as cash equivalents		(19,050)	—	—	(19,050)
Amounts classified as marketable securities		$ 3,445	$ —	$ —	$ 3,445

December 31, 2019	Input Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	Level 1	$ 3,495	$ —	$ —	$ 3,495
U.S. Treasury securities	Level 1	$ 1,594	$ 1	$ —	$ 1,595
Repurchase agreements	Level 2	$ 5,000	$ —	$ —	$ 5,000
U.S. corporate debt obligations	Level 2	$ 5,155	$ —	$ —	$ 5,155
U.S. commercial paper	Level 2	$ 11,412	$ —	$ —	$ 11,412
Total available-for-sale securities		26,656	1	—	26,657
Less amounts classified as cash equivalents		(10,293)	—	—	(10,293)
Amounts classified as marketable securities		$ 16,363	$ 1	$ —	$ 16,364

There were no available-for-sale securities in an unrealized loss position as of March 31, 2020 and December 31, 2019. No significant facts or circumstances have arisen to indicate that there has been any deterioration in the creditworthiness of the issuers of these securities. As of March 31, 2020, we did not hold any investments with a maturity exceeding 12 months or that have been in a continuous loss position for 12 months or more. There were no realized gains or losses on the available-for-sale debt securities during the three months ended March 31, 2020 and 2019.

5. License Agreements

Biogen Idec

The first amended and restated collaboration agreement with Biogen Idec MA, Inc. (the "Biogen 1st ARCA") amended and restated the collaboration agreement with Biogen (the "Biogen OCA"), to provide for the discovery, development and commercialization of small molecule BTK inhibitors. Under this agreement, the Company no longer has research obligations, but licenses granted to Biogen with respect to the research collaboration under the Biogen OCA (other than the licenses transferred to Takeda Oncology under the Takeda Agreement) remain in effect. In December 2018, the Company entered into a settlement agreement with Biogen whereas Biogen will no longer be obligated to pay future event-based payments or royalty payments to the Company.

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

Takeda Oncology

In March 2011, Takeda Oncology purchased and exclusively licensed Biogen's rights to a PDK1 inhibitor program and a pan-Raf inhibitor program which were both originally developed through a collaboration agreement between Sunesis and Biogen. In January 2014, the Company entered into an amended and restated license agreement with Takeda Oncology (the "Amended Takeda Agreement"), to provide the Company with an exclusive worldwide license to develop and commercialize preclinical inhibitors of PDK1. In December 2019, the Company partitioned the Amended Takeda Agreement into two separate agreements: (i) an amended and restated license agreement for PDK (the "PDK Agreement"), and (ii) an amended and restated license agreement for RAF (the "Millennium RAF Agreement"). Pursuant to the PDK Agreement, the Company may in the future be required to make up to $9.1 million in pre-commercialization milestone payments depending on its development of PDK1 inhibitors and tiered royalty payments depending on related product sales, if any, in the mid-single digits.

DOT-1

In December 2019, Takeda Oncology assigned the Millennium RAF Agreement to DOT-1, a venture capital-funded biopharmaceutical company. The Company entered into a concurrent license agreement with DOT-1. Pursuant to this agreement, the Company received a $2.0 million upfront payment from DOT-1 to grant DOT-1 a worldwide, exclusive license of TAK-580. The agreement also includes up to $57.0 million in pre-commercialization, event-based milestone payments and royalty payments on future sales of TAK-580. The Company recognized the $2.0 million upfront payment as revenue in 2019 upon execution of the contract. All future event-based milestone and royalty payments are considered fully constrained and therefore, no revenue has been recognized during the three-months ended March 31, 2020.

Denovo

In December 2019, the Company entered into the Denovo License Agreement, pursuant to which Sunesis licensed vosaroxin intellectual property to Denovo, received an upfront payment of $0.2 million, and is eligible to receive up to $57.0 million in regulatory and commercial milestones payments and double-digit royalty payments on future sales of vosaroxin. The Company recognized as revenue the $0.1 million of the upfront payment in 2019 and the remaining $0.1 million during the three months ended March 31, 2020 when the identified performance obligation was satisfied. All future event-based milestone and royalty payments are considered fully constrained and therefore, no revenue has been recognized on these fully constrained variable consideration during the three-months ended March 31, 2020.

6. Notes Payable

In April 2019, the Company entered into a term loan agreement with Silicon Valley Bank ("SVB Loan Agreement"), pursuant to which the Company borrowed $5.5 million. In April 2020, the Company entered into a deferral agreement with Silicon Valley Bank (the "SVB Deferral Agreement"), which extended the interest-only payment period through June 30, 2021 and deferred the maturity date of the borrowings to June 1, 2023. Under the terms of the SVB Loan Agreement and SVB Deferral Agreement, the Company is required to make interest-only payments through June 30, 2021 on the borrowings at a floating rate equal to the greater of the Prime Rate as defined in the SVB Loan Agreement minus 2.25%, or 3.25%, followed by an amortization period of 24 months of equal monthly payments of principal plus interest amounts until paid in full. In addition to and not in substitution for the regular monthly payments of principal plus accrued interest, the Company is required to make a final payment equal to 4% of the original principal amount of the borrowings ("Final Payment Fee"). Additionally, the Company may prepay all, but not less than all, of the borrowings at any time upon 30 days' prior notice to Silicon Valley Bank ("SVB"). Any such prepayment would require, in addition to payment of principal and accrued interest as well as the Final Payment Fee, a prepayment fee, in the amount of (a) $110,000 if the prepayment occurs on or after the 1st anniversary of April 26, 2019 (the "Effective Date"), but prior to the 2nd anniversary of the Effective Date; or (b) $55,000 if the prepayment occurs on or after the 2nd anniversary of the Effective Date.

The Company's obligations under the SVB Loan Agreement are secured by a first priority security interest in cash held at an account with SVB (the "Collateral Account"). The Company is obligated to maintain sufficient cash in the Collateral Account at all times in an amount equal to or greater than the outstanding balance of the borrowings. The Company has classified the Collateral Account as restricted cash on its condensed consolidated balance sheets as of March 31, 2020.

The SVB Loan Agreement contains customary affirmative and negative covenants which, among other things, limit the Company's ability to (i) incur additional indebtedness, (ii) pay dividends or make certain distributions, (iii) dispose of its assets, grant liens or encumber its assets or (iv) fundamentally alter the nature of its business. These covenants are subject to a number of exceptions and qualifications. The SVB Loan Agreement also contains customary events of default, including among other things, the Company's failure to make any principal or interest payments when due, the occurrence of certain bankruptcy or insolvency events or its breach of the covenants under the SVB Loan Agreement. Upon the occurrence of an event of default, SVB may, among other

things, accelerate the Company's obligations under the SVB Loan Agreement. The Company was in compliance with all applicable covenants set forth in the SVB Loan Agreement as of March 31, 2020. The principal payments due under the SVB Loan Agreement have been classified as a current liability at March 31, 2020 due to the considerations discussed in Note 1 and the assessment that the material adverse change clause under the SVB Loan Agreement is not within the Company's control. The Company has not been notified of an event of default by the Lenders as of the date of the filing of this Form 10-Q.

Aggregate future minimum payments due under the SVB Loan Agreement as of March 31, 2020 with terms of the SVB Deferral Agreement reflected, were as follows (in thousands):

Through December 31,	Total
2020	$ 135
2021	1,544
2022	2,843
2023	1,608
Total minimum payments	6,130
Less amount representing interest	(630)
Total notes payable as of March 31, 2020	5,500
Less unamortized debt discount and issuance costs	(31)
Less carrying amount of notes payable	(5,469)
Non-current portion of notes payable	$ —

7. Stockholders' Equity

Controlled Equity Offerings

Cantor Controlled Equity Offering

During the three months ended March 31, 2020, no shares of common stock, respectively, were sold under the Controlled Equity Offering℠ sales agreement, as amended (the "Sales Agreement"), with Cantor Fitzgerald & Co. ("Cantor"), as agent and/or principal. As of March 31, 2020, $43.1 million of common stock remained available to be sold under this facility, subject to certain conditions as specified in the Sales Agreement.

Aspire Common Stock Purchase Agreement

During the three months ended March 31, 2020, no shares were issued under the Common Stock Purchase Agreement (the "CSPA") with Aspire Capital Fund, LLC ("Aspire"). Aspire's remaining purchase commitment was $10.9 million as of March 31, 2020 and Aspire's obligation under the CSPA will automatically terminate on June 25, 2020.

8. Stock-Based Compensation

Employee and non-employee stock-based compensation expense is calculated based on the grant-date fair value of awards ultimately expected to vest, and recognized under the straight-line attribution method, assuming that all stock-based awards will vest. Forfeitures are recognized as they occur.

The following table summarizes stock-based compensation expense related to the Company's stock-based awards for the periods indicated (in thousands):

	Three months ended March 31,	
	2020	2019
Research and development	$ 112	$ 156
General and administrative	193	216
Employee stock-based compensation expense	305	372
Non-employee stock-based compensation expense	14	45
Total stock-based compensation expense	$ 319	$ 417

9. Leases

The Company's operating lease obligations as of March 31, 2020 relate solely to the leasing of office space in a building at 395 Oyster Point Boulevard in South San Francisco, California, which is currently the Company's headquarters. The lease was entered into in January 2014 and was amended several times since 2014. The lease was last amended in December 2017 to extend the expiration date to June 30, 2021, with an option to extend the lease for two additional years. The Company did not assume the option to extend the lease term for two additional years in its determination of the lease term as the exercise of the option was not reasonably certain when the lease was last amended in December 2017. The remaining lease term as of March 31, 2020 was 1.25 years.

The cash paid for operating lease liability was $0.2 million for the three months ended March 31, 2020.

Maturity of lease liability is as follows (in thousands):

Through December 31,	
2020	$ 436
2021	294
Total rental payments	730
Less imputed interest	(49)
Present value of lease liability	$ 681

The Company recognizes rent expense on a straight-line basis. The Company recorded rent expense of $0.1 million for each of the three months ended March 31, 2020 and 2019.

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

The following discussion and analysis of our financial condition as of March 31, 2020 and results of operations for the three months ended March 31, 2020 and 2019 should be read together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and in our other Securities and Exchange Commission (the " SEC"), filings, including our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 10, 2020.

This discussion and analysis contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995, which involve risks, uncertainties and assumptions. All statements, other than statements of historical facts, are "forward-looking statements" for purposes of these provisions, including without limitation any statements relating to our expectations for gaining marketing approval in the United States, including the continued development and commercialization of vecabrutinib (formerly SNS-062), SNS-510, and other product candidates, the timing of our Phase 1b/2 trial of vecabrutinib, presenting clinical data and initiating clinical trials, our ability to maintain and operate our business, including our clinical supply chain and ability to initiate and complete preclinical studies and clinical trials, in light of the recent COVID-19 pandemic, our future research and development activities, including clinical testing and the costs and timing thereof, the potential of our existing product candidates to lead to the development of commercial products, our ability to receive potential milestone or royalty payments under license and collaboration agreements and the timing of receipt of those payments, including those related to TAK 580 and vosaroxin, sufficiency of our cash resources, our ability to raise additional funding when needed, any statements concerning anticipated regulatory activities or licensing or collaborative arrangements; the geographic, social and economic impact of COVID-19, 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.

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

Overview

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

Our lead program is vecabrutinib, a selective non-covalent inhibitor of Bruton's Tyrosine Kinase ("BTK") with activity against both wild-type and C481S-mutated BTK, the most common mutation associated with resistance to covalent BTK inhibitors. Ibrutinib was the first BTK inhibitor approved for the treatment of chronic lymphocytic leukemia ("CLL"), mantle cell lymphoma ("MCL"), and other B-cell malignancies. Ibrutinib is the market leader in CLL, marketed by Johnson & Johnson and AbbVie Inc. ("AbbVie"), with approximately $7 billion in net revenues in 2019. The C481 mutation has been seen in patients who developed resistance to ibrutinib, acalabrutinib and zanubrutinib, other covalent BTK inhibitors that are approved for treatment of MCL; acalabrutinib is also approved for CLL.

Vecabrutinib is being studied in a Phase 1b/2 clinical trial to assess safety and activity in patients with CLL and other advanced B-cell malignancies after two or more prior therapies, including ibrutinib or another covalent BTK inhibitor where approved for the disease. We completed the safety evaluation period for the 400 mg cohort and thus far vecabrutinib has a favorable safety profile. The seventh cohort, testing 500 mg twice daily, is in process. Vecabrutinib was developed as a result of a collaboration agreement with Biogen MA Inc. ("Biogen"), and we must pay a royalty on sales of vecabrutinib when and if approved and commercialized.

We are developing SNS-510, a PDK1 inhibitor licensed from Millennium Pharmaceuticals, Inc. ("Takeda Oncology"), a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited. SNS-510 interaction with PDK1 inhibits both PI3K signaling and PIP3-independent pathways integral to many malignancies, and PDK1 can also be overexpressed in breast, lung, prostate, hematologic and other cancers. Evaluation of SNS-510 in the Eurofins Oncopanel™, a panel of >300 genomically profiled cancer cell lines from diverse tissue origins, indicated that CDKN2A-mutated tumors are particularly sensitive to SNS-510. CDKN2A alterations are common in human cancers and may prove to be useful biomarkers for broad investigation of SNS-510 as a monotherapy and in combination with other anticancer agents. In in vivo studies, SNS-510 demonstrated potent, pathway-mediated antitumor activity in

FLT3-mutated and wild-type AML xenograft mouse models. We are conducting an Investigational New Drug ("IND")-enabling program for SNS-510 and plan to file an IND by the end of 2020.

In December 2019, we consented to Takeda Oncology's assignment of TAK-580 to DOT Therapeutics-1, Inc. ("DOT-1"), and we entered into a license agreement with DOT-1 (the "DOT-1 License Agreement) to grant DOT-1 a worldwide, exclusive license of TAK-580. Pursuant to this agreement, we received a $2.0 million upfront payment from DOT-1. The agreement also includes up to $57.0 million in potential pre-commercialization, event-based milestone payments and royalty payments on future sales of TAK-580, when and if approved and commercialized.

In December 2019, we entered into an agreement to license vosaroxin to Denovo Biopharma, LLC ("Denovo"), pursuant to which Sunesis received a $200,000 upfront payment and is eligible to receive up to $57.0 million in potential regulatory and commercial milestones, and double-digit royalties on future sales of vosaroxin, when and if approved and commercialized (the "Denovo License Agreement").

Impact of Coronavirus ("COVID-19") on Our Operations

In December 2019, a novel strain of coronavirus, otherwise known as COVID-19, was reported in Wuhan, China. COVID-19 has since spread to over 100 countries, including every state in the United States. On March 11, 2020, the World Health Organization (the "WHO") declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to the coronavirus outbreak. This outbreak has severely impacted global economic activity, and many countries and many states in the United States have reacted to the outbreak by instituting quarantines, mandating business and school closures and restricting travel. Our employees have been working from home since March 16, 2020, when California's San Mateo County issued its first shelter-in-place order.

COVID-19 has impacted the conduct of vecabrutinib's Phase 1b/2 trial to accommodate patient safety and study conduct in accordance with guidance from U.S. Food and Drug Administration (the "FDA"). There have been some delays in gathering clinical data, but we continue to expect results from the 500 mg cohort and on patients from lower dose cohorts who remain on treatment in the second quarter of 2020. We expect potential delays in vecabrutinib development due to impact on sites, patient enrollment, treatment visits and data collection. We will assess how best to pursue vecabrutinib development as the COVID-19 situation evolves and data from the trial emerge. Manufacturing of vecabrutinib and SNS-510 has experienced some delays but is not currently expected to have a material adverse impact on our clinical programs.

Toxicology and other nonclinical studies for the SNS-510 program have not experienced significant delays at this time and remain on schedule for submission of an IND by the end of the year. As of the date of the filing of this quarterly report on Form 10-Q, management is evaluating all options to conserve cash and to obtain additional debt or equity financing and/or enter into collaborative arrangements or strategic transactions, to permit the Company to continue operations. See Item 1A - "Risk Factors" for additional information regarding the potential impact of the COVID-19 pandemic on our business, results of operations and financial condition.

Recent Financial History

SVB Deferral Agreement

In April 2020, we entered into a deferral agreement with Silicon Valley Bank (the "SVB Deferral Agreement"), which extended the interest-only payment period through June 30, 2021 and deferred the maturity date of the borrowing under the existing term loan agreement (the "SVB Loan Agreement") to June 1, 2023.

Controlled Equity Offerings

Cantor Controlled Equity Offering

During the three months ended March 31, 2020, no shares of common stock, respectively, were sold under the Controlled Equity Offering^{SM} sales agreement, as amended (the "Sales Agreement"), with Cantor Fitzgerald & Co., ("Cantor"), as agent and/or principal. As of March 31, 2020, $43.1 million of common stock remained available to be sold under this facility, subject to certain conditions as specified in the Sales Agreement.

Aspire Common Stock Purchase Agreement

During the three months ended March 31, 2020, no shares were issued under the Common Stock Purchase Agreement (the "CSPA"), with Aspire Capital Fund, LLC ("Aspire"). Aspire's remaining purchase commitment under the CSPA was $10.9 million as of March 31, 2020 and Aspire's obligation under the CSPA will automatically terminate on June 25, 2020.

Capital Requirements

We have incurred significant losses in each year since our inception. As of March 31, 2020, we had cash and cash equivalents, restricted cash, and marketable securities of $28.9 million and an accumulated deficit of $688.6 million. We expect to continue to

incur significant losses for the foreseeable future as we continue the development of our kinase inhibitor pipeline, including our BTK inhibitor, vecabrutinib. We have product candidates that are still in the early stages of development and will require significant additional investment.

We expect our cash and cash equivalents and marketable securities of $23.4 million, which excludes restricted cash of $5.5 million, as of March 31, 2020 are not sufficient to support our operations for a period of twelve months from the date the condensed consolidated financial statements for the quarter ended March 31, 2020, are available to be issued. We will require additional financing to fund working capital, repay debt and pay our obligations as they come due. Additional financing might include one or more offerings and one or more of a combination of equity securities, debt arrangements or partnership or licensing collaborations. However, there can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us. Additionally, the continued spread of COVID-19 and uncertain market conditions may limit our ability to access capital. These conditions raise substantial doubt about our ability to continue as a going concern for a period of one year from the date our condensed consolidated financial statements for the quarter ended March 31, 2020, are available to be issued. If we are unsuccessful in our efforts to raise additional financing in the near term, we will be required to significantly reduce or cease operations. Our accompanying condensed consolidated financial statements for the quarter ended March 31, 2020, have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to our ability to continue as a going concern.

In addition, the COVID-19 pandemic may negatively impact our workforce and our research and development activities. While this will reduce travel and other costs in the near term, this may ultimately have a material adverse effect on our liquidity, although we are unable to make any prediction with certainty given the rapidly changing nature of the pandemic and governmental and other responses to it.

We are taking steps to manage its resources by reducing and/or deferring capital expenditures, and operating expenses to mitigate the adverse impact of the pandemic. Future impacts of COVID-19 may require further actions by the Company to improve its cash position, including but not limited to, implementing employee furloughs and foregoing capital expenditures and other discretionary expenses. Our liquidity may be negatively impacted if normal business operations are not resumed in the near-term. Further, the extent to which the COVID-19 pandemic and our precautionary measures in response thereto impact our business and liquidity will depend on future developments, which are highly uncertain and cannot be precisely predicted at this time.

Critical Accounting Policies and Significant Judgments and Estimates

There have been no significant changes during the three months ended March 31, 2020 to our critical accounting policies and significant judgments and estimates as disclosed in our management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Revenues

We have not generated any revenue from the sale of commercial products. Our current and past revenue have been generated through license and collaboration agreements. We cannot predict if our licensees will continue development or whether we will receive any additional event-based payments or royalties from these agreements in the foreseeable future, or at all.

Operating Expenses

Research and Development expense. Research and development expense consists primarily of clinical trial costs, which include: payments for work performed by our contract research organizations, clinical trial sites, labs and other clinical service providers and for drug packaging, storage and distribution; drug manufacturing costs, which include costs for producing drug substance and drug product, and for stability and other testing; personnel costs, including non-cash stock-based compensation; other outside services and consulting costs; and payments under license agreements. We expense all research and development costs as they are incurred.

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

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

development plans and capital requirements. We anticipate expenditure associated with vosaroxin to diminish as result of out-licensing of vosaroxin to Denovo, and continuing expenditures associated with advancing the vecabrutinib and SNS-510 programs in 2020 and beyond.

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

Results of Operations

Revenue

Total revenue was $0.1 million and nil for the three months ended March 31, 2020 and 2019, respectively. The increase in revenue was primarily due to revenue recognized from the upfront payment received under the license agreement with Denovo.

Research and Development Expense

Research and development expense was $3.7 million and $3.2 million for the three months ended March 31, 2020 and 2019, respectively. The increase of $0.5 million between the comparable three months periods was primarily due to a $0.5 million increase in professional services and $0.2 million increase in clinical expense related to the preparation for the Phase 2 portion of our ongoing clinical trial for vecabrutinib. The increase is partially offset by a $0.3 million decrease in salary and personnel expenses due to lower headcount.

General and Administrative Expense

General and administrative expense was $2.2 million and $2.4 million for the three months ended March 31, 2020 and 2019, respectively. The decrease of $0.2 million between the comparable three months periods was primarily due to a decrease in professional services expenses due to lower patent expenses.

Interest Expense

Interest expense was $0.1 million and $0.3 million for the three months ended March 31, 2020 and 2019, respectively. The decrease in interest expenses resulted from lower interest paid due to the lower interest rate on the lower principal amount under the SVB Loan Agreement as compared to our prior loan agreement with Western Alliance Bank and Solar Capital Ltd. in 2019.

Other Income, Net

Other income, net, was $0.1 million for each of the three months ended March 31, 2020 and 2019. The other income, net, was primarily comprised of interest income from our money market funds.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred significant losses in each year since our inception. As of March 31, 2020, we had cash and cash equivalents, restricted cash, and marketable securities of $28.9 million and an accumulated deficit of $688.6 million, compared to cash and cash equivalents of $34.6 million and an accumulated deficit of $682.8 million as of December 31, 2019. We expect to continue to incur significant losses for the foreseeable future. Our products are still in the early stages of development and will require significant additional investment.

We expect our cash and cash equivalents and marketable securities of $23.4 million, which excludes restricted cash of $5.5 million, as of March 31, 2020 are not sufficient to support our operations for a period of twelve months beyond the date the condensed consolidated financial statements for the quarter ended March 31, 2020, are available to be issued. We will require additional financing to fund working capital, repay debt and pay our obligations as they come due, so substantial doubt exists about our ability to continue as a going concern. Additional financing might include one or more of a combination of offerings of equity securities or debt arrangements or partnerships or licensing collaborations. However, there can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us.

During the three months ended March 31, 2020, no shares of common stock were sold under the Sales Agreement with Cantor. As of March 31, 2020, $43.1 million of common stock remains available to be sold under the Sales Agreement with Cantor, subject to certain conditions as specified in the Sales Agreement. As of March 31, 2020, the remaining purchase commitment for Aspire under the CSPA was $10.9 million and Aspire’s obligation under the CSPA will automatically terminate on June 25, 2020.

Our cash and cash equivalents, restricted cash, and marketable securities totaled $28.9 million as of March 31, 2020, as compared to $34.6 million as of December 31, 2019. The decrease of $5.7 million was due to cash used in operating activities, mainly resulting from our net loss of $5.8 million for the three months ended March 31, 2020.

In April 2019, we entered into the SVB Loan Agreement, pursuant to which we borrowed $5.5 million. In April 2020, we entered into the SVB Deferral Agreement, which extended the interest-only payment period through June 30, 2021 and deferred the maturity date of the borrowing under the SVB Loan Agreement to June 1, 2023.

Under the terms of the SVB Loan Agreement and SVB Deferral Agreement, we are required to make interest-only payments through June 30, 2021 on the borrowings at a floating rate equal to the greater of the Prime Rate as defined in the SVB Loan Agreement minus 2.25%, or 3.25%, followed by an amortization period of 24 months of equal monthly payments of principal plus interest amounts until paid in full. In addition to and not in substitution for the regular monthly payments of principal plus accrued interest, we are required to make a final payment equal to 4% of the original principal amount of the borrowings (the "Final Payment Fee"). Additionally, we may prepay all, but not less than all of the borrowings at any time upon 30 days' prior notice to Silicon Valley Bank ("SVB"). Any such prepayment would require, in addition to payment of principal and accrued interest as well as the Final Payment Fee, a prepayment fee, in the amount of (a) $110,000 if the prepayment occurs on or after the 1st anniversary of April 26, 2019 (the "Effective Date"), but prior to the 2nd anniversary of the Effective Date; or (b) $55,000 if the prepayment occurs on or after the 2nd anniversary of the Effective Date.

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

Cash Flows

Net cash used in operating activities was $5.7 million for the three months ended March 31, 2020, as compared to $6.1 million for the same period in 2019. Net cash used in the three months ended March 31, 2020, resulted primarily from the net loss of $5.8 million and changes in operating assets and liabilities of $0.3 million, offset by adjustments for non-cash items of $0.3 million. Net cash used in the three months ended March 31, 2019, resulted primarily from the net loss of $5.9 million, partially offset by adjustments for non-cash items of $0.5 million and changes in operating assets and liabilities of $0.7 million.

Net cash provided by investing activities was $13.0 million for the three months ended March 31, 2020, as compared to nil for the same period in 2019. Net cash provided by investing activities in 2020 consists primarily of maturities of marketable securities.

Net cash provided by financing activities was nil for the three months ended March 31, 2020, as compared to $17.2 million for the same period in 2019. Net cash provided in 2019 resulted primarily from $18.6 million net proceeds from issuance common and preferred stock offset by $1.4 million principal payment on our prior loan agreement with Western Alliance Bank and Solar Capital Ltd.

Operating Capital Requirements

We have incurred significant operating losses and negative cash flows from operations since our inception. As of March 31, 2020, we had cash and cash equivalents, restricted cash, and marketable securities of $28.9 million and cash used in operating activities of $5.7 million for the three months ended March 31, 2020.

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, European Medicines Agency (the "EMA"), or similar regulatory agencies in other countries, and has been successfully commercialized, if ever. We will need to raise substantial additional funding to complete the development and potential commercialization of any of our development programs. Additionally, we may evaluate in-licensing and acquisition opportunities to gain access to new drugs or drug targets that would fit with our strategy. Any such transaction would likely increase our funding needs in the future.

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

- the rate of progress and cost of our clinical trials;
- the timing, economic and other terms of any licensing, collaboration or other similar arrangement into which we may enter;
- the costs and timing of seeking and obtaining FDA, EMA, or other regulatory approvals;

- the costs associated with building or accessing commercialization and additional manufacturing capabilities and supplies;
- the costs of acquiring or investing in businesses, product candidates and technologies, if any;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the effect of competing technological and market developments; and
- the costs of supporting our arrangements with Takeda.

Our failure to raise significant additional capital in the future would force us to delay or reduce the scope of our vecabrutinib and other development programs, potentially including any additional clinical trials or subsequent regulatory filings in the United States or Europe, 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.

In addition, the recent COVID-19 pandemic has significantly disrupted world financial markets and negatively impacted US market conditions. This may reduce opportunities for us to find additional funding from partnering or selling equity. In particular, a decline in the market price of our common stock could make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. If we fail to raise sufficient additional financing, on terms and dates acceptable to us, we may not be able to continue our operations and the development of our product candidates, and we may be required to reduce staff, reduce or eliminate research and development, slow the development of our product candidates, outsource or eliminate several business functions or shut down operations.

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 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our interim Chief Executive Officer and Principal Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Exchange Act Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our interim Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the foregoing, our interim Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended, that occurred during the quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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 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 Quarterly Report on Form 10-Q, as each of these risks could adversely affect our business, operating results and financial conditions. If any of the possible adverse events described below actually occurs, we may be unable to conduct our business as currently planned and our financial condition and operating results could be adversely affected. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. In addition, the trading price of our common stock could decline due to the occurrence of any of these risks, and you may lose all or part of your investment.

Please see the language regarding forward-looking statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We have marked with an asterisk (*) those risks described below that reflect material changes from, or additions to, the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2019 that was filed with the SEC on March 10, 2020.

Risks Related to Our Business

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

We will need to raise substantial additional capital to:

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

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

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

Until we can generate a sufficient amount of licensing, collaboration or product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through equity issuances, debt arrangements, one or more possible licenses, collaborations or other similar arrangements with respect to development and/or commercialization rights to vecabrutinib, SNS-510, or our other development programs, or a combination of the above. Any issuance of convertible debt securities, preferred stock or common stock may be at a discount from the then-current trading price of our common stock. If we issue additional common or preferred stock or securities convertible into common or preferred stock, our stockholders will experience additional dilution, which may be significant. Further, we do not know whether additional funding will be available on acceptable terms, or at all.

In addition, the recent outbreak of the novel coronavirus known as COVID-19 has significantly disrupted global financial markets, negatively impacted U.S. market conditions and may reduce opportunities for us to seek out additional funding. In particular, a decline in the market price of our common stock could make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

If we fail to raise sufficient additional financing, on terms and dates acceptable to us, we may not be able to continue our operations and the development of our product candidates, and we may be required to reduce staff, reduce or eliminate research and development, slow the development of our product candidates, outsource or eliminate several business functions or shut down 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 three months ended March 31, 2020 and years ended December 31, 2019 and 2018 were $5.8 million, $23.3 million and $26.6 million, respectively. As of March 31, 2020, we had an accumulated deficit of $688.6 million. We do not currently have any products that have been approved for marketing, and we expect to incur significant losses for the foreseeable future as we continue to incur substantial development and general and administrative expenses related to our operations. We have prioritized development funding on kinase inhibitors with a focus on vecabrutinib. We have a limited number of products that are still in the early stages of development and will require significant additional investment. Our losses, among other things, have caused and will continue to cause our stockholders' equity and working capital to decrease.

To date, we have derived substantially all of our revenue from license and collaboration agreements. We currently have two agreements, the DOT-1 License Agreement and the Denovo Agreement, both of which include certain pre-commercialization event-based payments and royalty payments. We cannot predict if our collaborators will continue development or whether we will receive any such payments under these agreements in the foreseeable future, or at all.

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

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

We adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40) effective December 31, 2016, which requires us to make certain disclosures if we conclude that there is substantial doubt about our ability to continue as a going concern within one year from the date our financial statements contained in this Quarterly Report on Form 10-Q are available to be issued.

We have incurred significant losses and negative cash flows from operations since our inception, and as of March 31, 2020, had cash and cash equivalents, restricted cash, and marketable securities totaling $28.9 million and an accumulated deficit of $688.6 million. We expect our cash and cash equivalents, and marketable securities of $23.4 million, which excludes restricted cash of $5.5 million, as of March 31, 2020 are not sufficient to support our operations for a period of twelve months from the date our condensed financial statements contained in this Quarterly Report on Form 10-Q are available to be issued. We will require additional financing to fund working capital, repay debt and pay our obligations as they come due. Additional financing might include one or more offerings and one or more of a combination of equity securities, debt arrangements or partnership or licensing collaborations. However, there can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us. These conditions raise substantial doubt about our ability to continue as a going concern for a period of one year from the date our financial statements contained in this Quarterly Report on Form 10-Q are available to be issued. If we are

unsuccessful in our efforts to raise additional financing in the near term, we will be required to significantly reduce or cease operations. The accompanying financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to our ability to continue as a going concern.

We will continue to attempt to raise additional debt and/or equity financing to fund future operations and to provide additional working capital. However, there is no assurance that such financing will be consummated or obtained in sufficient amounts necessary to meet our need. If cash resources are insufficient to satisfy our on-going cash requirements, we will be required to scale back or discontinue our product development programs, or obtain funds if available (although there can be no certainties) through strategic alliances that may require us to relinquish rights to our technology, substantially reduce or discontinue our operations entirely. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in the case of equity financing. We note that there is significant uncertainty from the effect that the novel coronavirus may have on the availability, cost and type of financing.

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

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

Our product candidates may experience toxicities that in preclinical studies may preclude further development, or in clinical trials may lead to a maximum tolerated dose that is not effective, or they may fail to demonstrate efficacy at the doses tested. If this were the case for vecabrutinib, for example, such a result would delay or prevent further development, which would severely and adversely affect our financial results, business and business prospects.

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

- delays or failures to raise additional funding;
- delays or failures in obtaining regulatory approval to commence a clinical trial;
- delays or failures in obtaining approval from independent IRBs or ECs to conduct a clinical trial at prospective sites; or
- delays or failures in reaching acceptable clinical trial agreement terms or clinical trial protocols with prospective sites.
- delays or failures in obtaining sufficient clinical materials, including any of our product and any drugs to be tested in combination with our products;
- failure of third parties such as Contract Research Organizations and medical institutions to perform their contractual duties and obligations;
- slower than expected rates of patient recruitment and enrollment;
- failure of patients to complete the clinical trial;
- delays or failures in reaching the number of events pre-specified in the trial design;
- the need to expand the clinical trial;
- unforeseen safety issues;
- lack of efficacy during clinical trials;
- inability or unwillingness of patients or clinical investigators to follow our clinical trial protocols; and
- inability to monitor patients adequately during or after treatment.

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

Our business, operations, financial results and clinical development plans and timelines could be adversely impacted by the effects of health epidemics, including the recent COVID-19 pandemic, on the manufacturing, clinical trial and other business activities performed by us or by third parties whom we conduct business, including our contract manufacturers, Clinical Research Organizations ("CROs") and others.*

Our business could be adversely affected by health epidemics wherever we have clinical trial sites or other business operations. In addition, health epidemics could cause significant disruption in the operations of third-party manufacturers, CROs and other third parties upon whom we rely. For example, in December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. The novel coronavirus has since spread to over 100 countries, including every state in the United States. On March 11, 2020, the WHO declared COVID-19, the disease caused by the novel coronavirus, a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to the coronavirus outbreak. COVID-19 has led to government-imposed quarantines, travel restrictions and other public health safety measures. As the COVID-19 pandemic continues to spread around the globe, we may experience disruptions that could severely impact our business and clinical trials, including:

- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- limitations in resources that would otherwise be focused on the conduct of our business or our clinical trials, including because of sickness or the desire to avoid contact with large groups of people or as a result of government-imposed "shelter in place" or similar working restrictions;
- delays in receiving approval from local regulatory authorities to initiate our planned clinical trials;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials;
- interruption in global shipping that may affect the transport of clinical trial materials, such as investigational drug product used in our clinical trials;
- changes in regulations as part of a response to the COVID-19 pandemic which may require us to change the ways in which our clinical trials are conducted, or to discontinue the clinical trials altogether, or which may result in unexpected costs;
- necessary interactions with regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government or contractor personnel; and
- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States.

We are still assessing the impact that COVID-19 may have on our ability to effectively conduct our business operations as planned and there can be no assurance that we will be able to avoid a material impact on our business from the spread of COVID-19 or its consequences, including disruption to our business and downturns in business sentiment generally or in our industry. For example, on March 16, 2020, San Mateo County issued a "shelter-in-place" order, effective March 17, 2020, and on March 19, 2020, the Executive Department of the State of California issued Executive Order N-33-20, ordering all individuals in the State of California to stay home or at their place of residence except as needed to maintain continuity of operations of the federal critical infrastructure sectors. Our primary operations are located in South San Francisco, which is in San Mateo County. As a result of such county and California State orders, the majority of our employees are currently telecommuting, which may impact certain of our operations over the near term and long term.

Additionally, certain third parties with whom we engage, including our collaborators, contract organizations, third-party manufacturers, suppliers, clinical trial sites, regulators and other third parties with whom we conduct business are similarly adjusting their operations and assessing their capacity in light of the COVID-19 pandemic. If these third parties experience shutdowns or continued business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted. For example, as a result of the COVID-19 pandemic, there could be delays in the manufacturing supply chain for vecabrutinib and SNS-510, which could delay or otherwise impact our future clinical development plans. Additionally, certain preclinical studies for our discovery research programs are conducted by CROs, which could be discontinued or delayed as a result of the pandemic. It is also likely that the disproportionate impact of COVID-19 on hospitals and clinical sites will have an impact on recruitment and retention for our future clinical trials. In addition, certain of our clinical trial sites have

experienced, and others may experience in the future, delays in collecting, receiving and analyzing data from patients enrolled in our clinical trials for vecabrutinib due to limited staff at such sites, limitation or suspension of on-site visits by patients, or patients' reluctance to visit the clinical trial sites during the pandemic. We and our CROs have also made certain adjustments to the operation of such trials in an effort to ensure the monitoring and safety of patients and minimize risks to trial integrity during the pandemic in accordance with the guidance issued by the FDA and generally, and may need to make further adjustments in the future. Many of these adjustments are new and untested, may not be effective, and may have unforeseen effects on the enrollment, progress and completion of these trials and the findings from these trials. While the current SNS-510 development remains on schedule, future clinical trials may be delayed. We may not be successful in adding trial sites, may experience delays in patient enrollment or in the progress of our clinical trials, may need to suspend our clinical trials, and may encounter other negative impacts to our trials, due to the effects of the COVID-19 pandemic.

The global outbreak of COVID-19 continues to rapidly evolve. While the extent of the impact of the current COVID-19 pandemic on our business and financial results is uncertain, a continued and prolonged public health crisis such as the COVID-19 pandemic could have a material negative impact on our business, financial condition and operating results. The extent to which the COVID-19 pandemic may impact our business and prospects and the overall economies of the U.S. and other countries will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

The COVID-19 pandemic could adversely impact our licensees, which could cause delays in our receipts of potential milestones and royalties under our licensing or royalty and milestone acquisition arrangements.*

As the COVID-19 pandemic continues to evolve, the companies which are working to develop and commercialize our and their products, such as vosaroxin and TAK-580, could be materially and adversely affected by the risks, or the public perception of the risks, related to this pandemic, which could cause delays, suspensions or cancellations of their drug development efforts including, without limitation, their clinic trials which would correspondingly delay, suspend or negate the timing of our potential receipts of milestones and royalties under our out-licensing or royalty acquisition agreements. The disruptions to our licensees could include, without limitation:

- delays or difficulties in recruiting and enrolling new patients in their clinical trials;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as their clinical trial sites and hospital staff supporting the conduct of their clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- limitations in employee resources that would otherwise be focused on the conduct of their clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;
- interruption in global shipping that may affect the transport of clinical trial supplies and materials, such as the investigational drug product used in their clinical trials;
- delays in receiving approval from the FDA, the EMA and other U.S. and foreign federal, state and local regulatory authorities to initiate their planned clinical trials;
- changes in FDA, state and local regulation (and those of their foreign counterparts if applicable) as part of a response to the COVID-19 outbreak which may change the ways in which clinical trials are conducted or discontinue clinical trials altogether;
- delays in necessary interactions with regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;
- delay in the timing of other interactions with the FDA due to absenteeism by federal employees or by the diversion of their efforts and attention to approval of other therapeutics or other activities related to COVID-19; and
- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States or of foreign regulatory authorities to accept data from clinical trials in affected areas outside their applicable countries.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which the COVID-19 pandemic may impact our business and prospects and the overall economies of the U.S. and other countries will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

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

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

If our third-party API or FDP manufacturers are unable or unwilling to produce the API or FDP we require, we would need to establish arrangements with one or more alternative suppliers. Our API or FDP manufacturers may encounter difficulties in achieving volume production, quality control, and quality assurance and also may experience shortages in qualified personnel and obtaining active ingredients for our product candidates, including delays or shortages due to limited supply or capacity of production facilities as a result of the recent COVID-19 pandemic. However, establishing a relationship with an alternative supplier would likely delay our ability to produce API or FDP in a timely manner. Our ability to replace an existing manufacturer would also be challenging and time consuming because the number of potential manufacturers is limited and the FDA, EMA or other corresponding state agencies must approve any replacement manufacturer before it can be approved as a commercial supplier. Such approval would require new testing, stability programs and compliance inspections. It may be difficult or impossible for us to identify and engage a reliable replacement

manufacturer on acceptable terms in a timely manner, or at all. We expect to continue to depend on third-party contract manufacturers for all our API and FDP needs for the foreseeable future.

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

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

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

We may encounter delays if we are unable to enroll enough patients to complete clinical trials of vecabrutinib or other product candidates. Patient enrollment depends on many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites, the number and nature of competing treatments and ongoing clinical trials of competing drugs for the same indication, and the eligibility criteria for the trial. In a Phase 1 dose escalation, slots are assigned to sites to avoid over-enrolling. After allocating a slot to a patient, patients may be unable to commence the study if eligibility criteria are not met or they withdraw consent. Patients participating in our trials may come off study due to progressive disease, adverse events, or they or their physician may choose to discontinue study participation. Furthermore, enrollment of patients in our clinical trials and maintaining patients in our ongoing clinical trials may be delayed or limited as our clinical trial sites limit their onsite staff or temporarily close as a result of the COVID-19 pandemic. In addition, patients may not be able to visit clinical trial sites for dosing or data collection purposes due to limitations on travel and physical distancing imposed or recommended by federal or state governments or patients' reluctance to visit the clinical trial sites during the pandemic. These factors resulting from the COVID-19 pandemic could delay the anticipated readouts from our clinical trials and our planned regulatory submissions.

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

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

Our product candidates, the methods used to deliver them or their dosage levels may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following any regulatory approval.

Undesirable side effects caused by our product candidates, their delivery methods or dosage levels could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authority. As a result of safety or toxicity issues that we may experience in our clinical trials, we may not receive approval to market any product candidates, which could prevent us from ever generating revenues or achieving profitability. Results of our trials could reveal an unacceptably high severity and incidence of side effects, or side effects outweighing the benefits of our product candidates. In such an event, our trials could be suspended or terminated, and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims.

Additionally, if any of our product candidates receives regulatory approval, and we or others later identify undesirable side effects caused by such product, a number of potentially significant negative consequences could result, including that:

- we may be forced to suspend marketing of that product;
- regulatory authorities may withdraw or change their approvals of that product;
- regulatory authorities may require additional warnings on the label or limit access of that product to selective specialized centers with additional safety reporting and with requirements that patients be geographically close to these centers for all or part of their treatment;
- we may be required to conduct post-marketing studies;
- we may be required to change the way the product is administered;
- we could be sued and held liable for harm caused to subjects or patients; and
- our reputation may suffer.

Any of these events could diminish the usage or otherwise limit the commercial success of our product candidates and prevent us from achieving or maintaining market acceptance of the affected product candidate, if approved by applicable regulatory authorities.

We may not be able to obtain or maintain orphan drug exclusivity for our product candidates.

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States.

Generally, if a product with an orphan drug designation subsequently receives the first regulatory approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity, which precludes the EMA or the FDA from approving another marketing application for the same drug for that time period. The applicable period is seven years in the United States and ten years in Europe. The European exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified. Orphan drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

Even if we obtain orphan drug exclusivity for a product, that exclusivity may not be maintained or effectively protect the product from competition because different drugs can be approved for the same condition. Even after an orphan drug is approved, the FDA can subsequently approve a new drug for the same condition if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

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

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

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

We are highly dependent on the principal members of our development staff. We may expand our research and development capabilities in the future by increasing expenditures in these areas, hiring additional employees and potentially expanding the scope of our current operations. Future growth will require us to continue to implement and improve our managerial, operational and financial

systems and continue to retain, recruit and train additional qualified personnel, which may impose a strain on our administrative and operational infrastructure. The competition for qualified personnel in the biopharmaceutical field is intense. We are highly dependent on our continued ability to retain, attract and motivate highly qualified management and specialized personnel required for clinical development. Due to our limited resources, we may not be able to effectively manage any expansion of our operations or recruit and train additional qualified personnel. If we are unable to retain key personnel or manage our growth effectively, we may not be able to implement our business plan.

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

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

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

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

If our competitors develop and market products that are more effective, safer or more popular than vecabrutinib, SNS-510, or other product candidates, or obtain marketing approval sooner than ours, our commercial opportunities will be negatively impacted.

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

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

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

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

issued in the future may be opposed, challenged, invalidated or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. We apply for patents covering both our technologies and product candidates, as we deem appropriate. However, we may fail to apply for patents on important technologies or product candidates in a timely fashion, throughout the world, or at all. Our existing patents and any future patents we obtain may not be sufficiently broad, valid, enforceable, or extend globally in order to prevent others from practicing our technologies or from developing competing products and technologies. Further, obtaining and maintaining patent protection relies on compliance with various procedural requirements imposed by governmental patent agencies, including, for example, mandatory document submissions and fee payments. Failure to comply with these requirements may reduce or eliminate opportunities for, or rights to, patent protection. 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. Similarly, we do not always exclusively control patent prosecution due to contractual and other legal obligations to our licensors and collaborations partners. Moreover, the patent positions of biopharmaceutical companies are highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. As a result, the scope, validity and enforceability of patents in addition to the related cost, can vary from country to country, and can change depending on changes in national and international law, and as such, cannot be predicted with certainty. In addition, we do not know whether:

- we, our licensors or our collaboration partners were the first to make the inventions covered by each of our issued patents and pending patent applications;
- we, our licensors or our collaboration partners were the first to file patent applications for these inventions;
- others will independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our, our licensors' or our collaboration partners' pending patent applications will result in issued patents;
- any of our, our licensors' or our collaboration partners' patents will be valid or enforceable;
- because of differences in patent laws of countries, any patent granted in one country or region will be granted in another, or, if so, have the same or a different scope;
- any patents issued to us, our licensors or our collaboration partners will provide us with any competitive advantages, or will be challenged by third parties;
- we will develop additional proprietary technologies that are patentable;
- we, our licensors, or our collaboration partners will be subject to claims challenging the inventorship, ownership, or rights to claim priority with regard to our patents and other intellectual property; or
- any patents or other proprietary rights of third parties will have an adverse effect on our business.

We may need to commence or defend administrative proceedings or 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 a proceeding or litigation affecting proprietary rights we own or have licensed could present significant risk of competition for drug candidates that we market or seek to develop. Any adverse outcome in a proceeding or litigation affecting third party proprietary rights could subject us to significant liabilities to third parties and could require us to seek licenses of the disputed rights from third parties or to cease using the technology if such licenses are unavailable.

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

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

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

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

Intellectual property rights may not address all potential threats to our competitive position for at least the reasons described above and below.

We may not realize the potential benefits of our licensing arrangements for products such as vosaroxin and TAK-580 and may not receive any future milestones or royalty payments.

There can be no assurance that products we out-license, such as vosaroxin to Denovo and TAK-580 to DOT-1, will be successfully developed and commercialized. The product(s) may fail in development, or our partner(s) may elect to discontinue development and/or terminate their agreement(s) with us. In this case, we may also incur some costs to wind down our activities related to the product in question. Completing development of the product could require significant resources. If we cannot find another partner and do not undertake development on our own, there will be no possibility of any future upside from the product.

We may fail to make timely milestone or royalty payments under our agreements, triggering remedies that would be adverse to us.

Under our license agreements we have certain milestone obligations, such as the remaining development milestones payable to Takeda Oncology for our development of PDK1, and royalty obligations, such as the royalty payable to Biogen for vecabrutinib. As another example, we are required to pay RPI Finance Trust (“RPI”), an entity related to Royalty Pharma, a specified percentage of any consideration we receive for vosaroxin. If we do not make timely payments, our partners may seek remedies.

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 previously implemented 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 confidentiality of certain proprietary information and knowledge may not be maintained in the course of any such future employment. Further, we believe that our future success will depend in large part upon our ability to attract and retain highly skilled personnel. We may have difficulty retaining and attracting such personnel as a result of a perceived risk of future workforce and expense reductions. In addition, the implementation of expense reduction programs may result in the diversion of efforts of our executive management team and other key employees, which could adversely affect our business.

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

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

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

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

A loss of key personnel or difficulty in hiring employees to fill key roles could slow or prevent our ability to develop and commercialize our products. For example, we have been operating with an interim Chief Executive Officer since 2018. Recently, our Chief Financial Officer provided notice of his resignation, effective as of May 1, 2020. If we have difficulty hiring a Chief Executive Officer or Chief Financial Officer, it may adversely impact our future prospects.

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

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

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

If a conflict of interest arises between us and one or more of our current or potential future licensees or collaboration partners, if any, they may act in their own self-interest or otherwise in a way that is not in the interest of our company or our stockholders. Biogen, Takeda Oncology, Denovo, DOT-1, or potential future licensees or collaboration partners, if any, are conducting or may conduct product development efforts within the disease area that is the subject of a license or collaboration with our company. In current or potential future licenses or collaborations, if any, we have agreed or may agree not to conduct, independently or with any third party, any research that is competitive with the research conducted under our licenses or collaborations. Our licensees or collaboration partners, however, may develop, either alone or with others, products in related fields that are competitive with the product candidates that are the subject of these licenses or collaborations. Competing products, either developed by our licensees or collaboration partners or to which our licensees or collaboration partners have rights, may result in their withdrawal of support for a product candidate covered by the license or collaboration agreement.

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

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

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

Changing laws, regulations and standards relating to corporate governance and public disclosure may create uncertainty regarding compliance matters. New or changed laws, regulations and standards are subject to varying interpretations in many cases. As a result, their application in practice may evolve over time. We are committed to maintaining high standards of corporate governance and public disclosure. Complying with evolving interpretations of new or changed legal requirements may cause us to incur higher costs as we revise current practices, policies and procedures, and may divert management time and attention from potential revenue-generating activities to compliance matters. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may also be harmed. Further, our board members and executive officers 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. Our Directors and Officers insurance provides certain coverage to our board members and executive officers, but the cost of coverage may be prohibitively expensive or not provide enough coverage.

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

In April 2019, we used the proceeds of the term loan agreement with Silicon Valley Bank ("SVB" and such agreement with SVB, the "SVB Loan Agreement") plus cash on hand to repay our remaining obligations in the amount of $5.9 million under our prior loan agreement with Western Alliance Bank and Solar Capital Ltd and Western Alliance, as Collateral Agent, as amended. Our obligations under the SVB Loan Agreement are secured by a first priority security interest in cash held at an account with SVB (the "Collateral Account"). We are obligated to maintain sufficient cash in the Collateral Account at all times in an amount greater than the outstanding balance of the borrowings.

The SVB Loan Agreement contains customary affirmative and negative covenants which, among other things, limit the Company's ability to (i) incur additional indebtedness, (ii) pay dividends or make certain distributions, (iii) dispose of its assets, grant liens or encumber its assets or (iv) fundamentally alter the nature of its business. These covenants are subject to a number of exceptions and qualifications. The SVB Loan Agreement also contains customary events of default, including among other things, our failure to make any principal or interest payments when due, the occurrence of certain bankruptcy or insolvency events or its breach of the covenants under the SVB Loan Agreement. Upon the occurrence of an event of default, SVB may, among other things, accelerate our obligations under the SVB Loan Agreement.

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

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

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

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

Our systems are potentially vulnerable to data security breaches, whether by employees or others, that may expose sensitive data to unauthorized persons. If we are unable to prevent such data security breaches or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. U.S. and international authorities have been warning businesses of increased cybersecurity threats from actors seeking to exploit the COVID-19 pandemic. If we are unable to prevent potential data security breaches or privacy violations, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information, including sensitive patient data.

Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. While we have implemented security measures to protect our data security and information technology systems, such measures may not prevent such events. Such disruptions and breaches of security could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Industry

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

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

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

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

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

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

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

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

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

- the timing of market introduction of competitive products;
- the efficacy of our product;
- the prevalence and severity of any side effects;
- the potential advantages or disadvantages over alternative treatments;
- the strength of marketing and distribution support;

- the price of the product, both in absolute terms and relative to alternative treatments; and
- the availability of reimbursement from health maintenance organizations and other third-party payors.

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

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

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

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

Regulatory policies may change and additional government regulations may be enacted that could prevent or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States, Europe or other territories. If we are not able to maintain regulatory compliance, we might not be permitted to market our future products and we may not achieve or sustain profitability. Other penalties for failing to comply with regulatory requirements include restrictions on such products, manufacturers or manufacturing processes; restrictions on the labeling or marketing of a product; restrictions on distribution or use of a product; requirements to conduct post-marketing studies or clinical trials; warning letters or untitled letters; withdrawal of the products from the market; refusal to approve pending applications or supplements to approved applications that we submit; recall of products; damage to relationships with any potential collaborators; unfavorable press coverage and damage to our reputation; fines, restitution or disgorgement of profits or revenues; suspension or withdrawal of marketing approvals; refusal to permit the import or export of our products; product seizure; injunctions or the imposition of civil or criminal penalties; and litigation involving patients using our products. Additionally, failure to comply with the European Union's requirements regarding the protection of personal information also can lead to significant penalties and sanctions.

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

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

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

For example, at the federal level, the Trump administration's budget proposal for fiscal year 2020 contained further drug price control measures that could be enacted during the budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Further, the Trump administration released a "Blueprint" to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products and reduce the out of pocket costs of drug products paid by consumers. The Department of Health and Human Services ("HHS"), has solicited feedback on some of these measures and, at the same, has implemented others under its existing authority. For example, in May 2019, the Centers for Medicare & Medicaid Services ("CMS") issued a final rule to allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. While some of these and other measures may require additional authorization to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. Changes in coverage and reimbursement policies or healthcare cost containment initiatives that may limit or restrict reimbursement for our future products may reduce any future product revenue.

Additionally, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA"), was enacted, which made a number of substantial changes in the way healthcare is financed by both governmental and private insurers. In the years since its enactment, there have been, and continue to be, significant developments in, and continued legislative activity around, attempts to repeal or repeal and replace the ACA. While Congress has not passed comprehensive repeal legislation, it has enacted laws that modify certain provisions of the ACA such as removing penalties, starting January 1, 2019, for not complying with the ACA's individual mandate to carry health insurance and delaying the implementation of certain ACA-mandated fees. In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminates the health insurer tax. On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the TCJA. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. It is unclear how this decision, future decisions, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA and our business and operations.

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

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

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

- The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for either the referral of an individual, or the purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item, good, facility or service reimbursable under Medicare, Medicaid or other federal healthcare programs;
- Federal false claims laws, including the civil FCA, and civil monetary penalties laws, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid;
- The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") prohibits, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH") and its implementing regulations, among other things, imposes certain requirements relating to the privacy, security and

transmission of individually identifiable health information. HITECH, among other things, makes HIPAA's security standards directly applicable to business associates, independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity; created four new tiers of civil monetary penalties; amended HIPAA to make civil and criminal penalties directly applicable to business associates; and gave state attorneys general new authority to file civil actions to enforce the federal HIPAA laws;

- the Physician Payments Sunshine Act requires certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to annually report to CMS information related to certain payments or other transfers of value provided to physicians, as defined by such law, and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members; and

- analogous local, state and foreign laws and regulations, such as state anti-kickback and false claims laws, transparency statutes, and privacy and security laws. Such laws may be broader than the federal law, including that they may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by third party payors, including private insurers. There also are an increasing number of state laws that require manufacturers to file reports with states regarding drug pricing and marketing information, tracking and reporting of gifts, compensation, other remuneration and items of value provided to health care professionals and health care entities, or marketing expenditures; require pharmaceutical companies to, among other things, establish and implement commercial compliance programs or codes of conducts; and/or require a pharmaceutical company's sales representatives to be registered or licensed by the state or local governmental entity. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

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

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

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

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

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

Our ability to use net operating loss carryforwards to offset future taxable income, and our ability to use tax credit carryforwards, may be subject to certain limitations.

Our ability to use our federal and state net operating losses ("NOLs"), to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income, and we cannot predict with certainty when, or whether, we will generate sufficient taxable income to use all of our NOLs.

As of December 31, 2019, we reported U.S. federal and state NOLs of approximately $463.4 million and $310.7 million, respectively. Our federal NOLs generated prior to 2018 will continue to be governed by the NOL tax rules as they existed prior to the adoption of the 2017 Tax Cut and Jobs Act (the "Tax Act"), which means that generally they will expire 20 years after they were generated if not used prior thereto. $423.1 million of our $463.4 million federal NOLs are subject to the 20 years expirations and a portion will continue to expire each year until 2037. Many states have similar laws, and our state NOLs will begin to expire in 2028. Accordingly, these federal and state NOLs could expire unused and be unavailable to offset future income tax liabilities. Under the Tax Act, federal NOLs incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal NOL's is limited to 80% of current year taxable income. It is uncertain if and to what extent various states will conform to the Tax Act.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize these NOLs and other tax attributes, such as federal tax credits, in any taxable year may be limited if we have experienced an "ownership change." Generally, a Section 382 ownership change occurs if one or more stockholders or groups of stockholders who owns at least 5% of a corporation's stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a three-year testing period. Similar rules may apply under state tax laws. Any such material limitation or expiration of our NOLs may harm our future operating results by effectively increasing our future tax obligations.

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 the three months ended March 31, 2020, our common stock traded as low as $0.31 and as high as $1.13. Factors that could cause continued volatility in the market price of our common stock include, but are not limited to:

- all the other risks mentioned herein, including but not limited to our ability to raise additional capital to fund our operations and complete our clinical development plans, compliance with government regulations, the safety and efficacy of our products, and our ability to protect our intellectual property;
- announcements relating to restructuring and other operational changes;
- market conditions in the pharmaceutical, biopharmaceutical and biotechnology sectors;
- changes in the structure of healthcare payment systems;
- issuance of new or changed securities analysts' reports or recommendations;
- announcements relating to our arrangements with Biogen, Takeda Oncology, Denovo, DOT-1, or RPI;
- actual and anticipated fluctuations in our quarterly operating results;
- deviations in our operating results from the estimates of analysts;
- litigation or public concern about the safety of future products, if any;
- failure to develop or sustain an active and liquid trading market for our common stock;
- short-selling or manipulation of our common stock by investors;
- sales of our common stock by our officers, directors or significant stockholders; and
- additions or departures of key personnel.

Moreover, on March 12, 2020, the WHO declared COVID-19 to be a pandemic, and the COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent weeks. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital, on our business, results of operations and financial condition, and on the market price of our common stock.

Our failure to meet the continued listing requirements of The Nasdaq Stock Market LLC could result in a delisting of our common stock.*

Our common stock is listed on The Nasdaq Stock Market LLC, which imposes, among other requirements a minimum bid requirement. Our common stock traded for less than $1.00 for 30 consecutive trading days, and we received notice of this from the Listing Qualifications Staff of The Nasdaq Stock Market LLC on July 9, 2019. Under Nasdaq Listing Rule 5810(c)(3)(A)(the "Rule"), we were granted a 180 calendar day grace period, or until January 6, 2020, to regain compliance with the minimum bid price requirement. Subsequently, we requested and on January 7, 2020 we received a second 180-calendar day extension, or until July 6, 2020, to demonstrate compliance.

On March 16, 2020, The Nasdaq Stock Market LLC filed an immediately effective rule change with the SEC to permit a longer period of time for companies to regain compliance with the bid price and market value of publicly held shares continued listing requirements by tolling the compliance periods through and including June 30, 2020. The purpose of this rule change was to provide relief to companies that are out of the bid price and market value compliance by granting additional time to regain compliance. Under this rule change, our compliance period was extended through September 18, 2020. The minimum bid price requirement will be met if our common stock has a closing bid price of at least $1.00 per share for a minimum of 10 consecutive business days during the compliance period. Our stockholders will vote at the 2020 Annual Meeting of Stockholders (the "Annual Meeting") to be held on June 16, 2020, to approve an amendment to our Amended and Restated Certificate of Incorporation, to effect a reverse stock split of our common stock (the "Reverse Stock Split") pursuant to which any whole number of outstanding shares between and including 2 and 12 shares would be combined, converted and changed into one share of common stock, with the final exchange ratio to be determined by the our Board of Directors (the "Board") in its discretion. Upon receiving stockholder approval of the proposed amendment, the Board will have the sole discretion to elect pursuant to Section 242(c) of the Delaware General Corporation Law as it determines to be in the best interests of us and our stockholders, whether to effect a Reverse Stock Split and, if so, the number of shares of our common stock between and including two and twelve which will be combined into one share of our common stock, at any time before the first anniversary of the Annual Meeting and in each instance the authorized number of shares of common stock will be reduced on a proportional basis. More about the Reverse Stock Split can be found in our definitive proxy statement filed with the SEC on April 28, 2020. While the Board has recommended that the stockholders vote "For" this proposal, there can be no assurance that the Reverse Stock Split will be adopted, or, if so, implemented by the Board upon its approval. Further, there can be no assurance that after effecting the Reverse Stock Split, we will be able to regain and maintain compliance.

If we do not regain compliance with the Rule by September 18, 2020, the Staff will provide written notification to us that our common stock will be subject to delisting. At that time, we may appeal the Staff's delisting determination to a Nasdaq Hearings Panel (the "Panel"). Our common stock would remain listed pending the Panel's decision. There can be no assurance that, if we do appeal the delisting determination by the Staff to the Panel, that such appeal would be successful.

The delisting of our common stock from Nasdaq may make it more difficult for us to raise capital on favorable terms in the future, or at all. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. Further, if our common stock were to be delisted from The Nasdaq Capital Market, our common stock would cease to be recognized as a covered security and we would be subject to additional regulation in each state in which we offer our securities. Moreover, there is no assurance that any actions that we take to restore our compliance with the Nasdaq minimum bid requirement would stabilize the market price or improve the liquidity of our common stock, prevent our common stock from falling below the Nasdaq minimum bid price required for continued listing again, or prevent future non-compliance with Nasdaq's listing requirements.

There can be no assurance that we will continue to meet the minimum bid price requirement, or any other requirement in the future. If we fail to meet the minimum bid price requirement, or other applicable Nasdaq listing requirements, including maintaining minimum levels of stockholders' equity or market values of our common stock, our common stock could be delisted. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected, and the market price of our common stock could decrease.

Unless our common stock continues to be listed on a national securities exchange it will become subject to the so-called "penny stock" rules that impose restrictive sales practice requirements.

If we are unable to maintain the listing of our common stock on Nasdaq or another national securities exchange, our common stock could become subject to the so-called "penny stock" rules if the shares have a market value of less than $5.00 per share. The SEC has adopted regulations that define a penny stock to include any stock that has a market price of less than $5.00 per share, subject to certain exceptions, including an exception for stock traded on a national securities exchange. The SEC regulations impose restrictive sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. An accredited investor generally is a person whose individual annual income exceeded $200,000, or whose joint annual income with a spouse exceeded $300,000 during the past two years and who expects their annual income to exceed the applicable level during the current year, or a person with net worth in excess of $1.0 million, not including the value of the investor's principal residence and excluding mortgage debt secured by the investor's principal residence up to the estimated fair market value of the home, except that any mortgage debt incurred by the investor within 60 days prior to the date of the transaction shall not be excluded from the determination of the investor's net worth unless the mortgage debt was incurred to acquire the residence. For transactions covered by this rule, the broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent to the transaction prior to sale. This means that if we are unable maintain the listing of our common stock on a national securities exchange, the ability of stockholders to sell their common stock in the secondary market could be adversely affected.

If a transaction involving a penny stock is not exempt from the SEC's rule, a broker-dealer must deliver a disclosure schedule relating to the penny stock market to each investor prior to a transaction. The broker-dealer also must disclose the commissions payable to both the broker-dealer and its registered representative, current quotations for the penny stock, and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the customer's account and information on the limited market in penny stocks.

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

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

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

In addition, Delaware law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person who, together with its affiliates, owns or within the last three years has owned 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested

stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Delaware law may discourage, delay or prevent a change in control of our company.

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

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

We have never declared or paid cash dividends on our capital stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. In addition, under the terms of the SVB Loan Agreement, we are precluded from paying cash dividends without the prior written consent of SVB. 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.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To raise capital, we may sell substantial amounts of common stock or securities convertible into or exchangeable for common stock in one or more transactions at prices and in a manner we determine from time to time, including pursuant to our Controlled Equity Offering℠ sales agreement, with Cantor Fitzgerald & Co., Common Stock Purchase Agreement with Aspire Capital Fund, LLC, or any similar arrangements into which we may enter. These future issuances of common stock or common stock-related securities, together with the exercise of outstanding options and any additional shares issued in connection with acquisitions or in-licenses, if any, may result in material dilution to our investors. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to those of holders of our common stock.

Pursuant to our equity incentive plans, our compensation committee is authorized to grant equity-based incentive awards to our employees, non-employee directors and consultants. Future grants of RSUs, options and other equity awards and issuances of common stock under our equity incentive plans will result in dilution and may have an adverse effect on the market price of our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us and our business. In the event securities or industry analysts who cover us downgrade our stock or publish unfavorable research about us or our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Here with
		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 Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	000-51531	3.1	9/7/2016	
3.4	Certificate of Designation of the Series D Convertible Preferred Stock of the Registrant	8-K	000-51531	3.1	10/26/2017	
3.5	Certificate of Designation of the Series E Convertible Preferred Stock of the Registrant	8-K	000-51531	3.1	1/22/2019	
3.6	Certificate of Validation of Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant	10-Q	000-51531	3.11	8/8/2018	
3.7	Certificate of Designation of the Series F Convertible Preferred Stock of the Registrant	8-K	000-51531	3.1	7/12/2019	
4.1	Description of Capital Stock					X
10.1	Deferral Agreement, dated April 2, 2020, by and between the Registrant and Silicon Valley Bank					X
10.2	Form of Indemnification Agreement between the Registrant and each of its directors and officers	S-1	333-121646	10.5	12/23/2004	
31.1	Certification of Principal Executive and Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32.1#	Certification of Principal Executive and Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act					X
101.INS	XBRL Instance Document					
101.SCH	XBRL Taxonomy Extension Schema Document					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					

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-Q 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.

SIGNATURE

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

SUNESIS PHARMACEUTICALS, INC.
(Registrant)

Date: May 7, 2020

/s/ Dayton Misfeldt
Dayton Misfeldt
Interim Chief Executive Officer (Principal Executive and Principal Financial Officer)

Date: May 7, 2020

/s/ Tina Gullotta
Tina Gullotta
Vice President, Finance (Principal Accounting Officer)

Description of the Company's Common Stock Registered Under Section 12 of the Exchange Act of 1934

The following is a description of the common stock, $0.0001 par value per share ("Common Stock") of Sunesis Pharmaceuticals, Inc. (the "Company"), which is the only security of the Company registered pursuant to Section 12 of the Securities and Exchange Act of 1934, as amended. The following summary describes the material terms of our Common Stock. The description of our Common Stock is based on the provisions of our amended and restated certificate of incorporation, our amended and restated bylaws and the applicable provisions of the Delaware General Corporation Law (the "DGCL"). This information may not be complete in all respects and is qualified entirely by reference to our amended and restated certificate of incorporation, our amended and restated bylaws and the DGCL. For a complete description of the terms and provisions of the Company's capital stock, including its Common Stock, refer to our amended and restated certificate of incorporation and our amended and restated bylaws, both of which are filed as exhibits to our Annual Report on Form 10-K filed with the Securities Exchange Commission on March 10, 2020. Capitalized terms used but not defined herein have the meanings given them our amended and restated certificate of incorporation.

Common Stock

The Company is authorized to issue up to 400,000,000 shares of Common Stock. The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders and do not have cumulative voting rights with respect to the election of directors. Generally, all matters to be voted on by stockholders must be approved by the holders of a majority of the Common Stock and Preferred Stock (voting together as a single class on an as-if converted basis), or, in the case of the election of directors, a plurality, represented at a meeting at which a quorum is present. Subject to preferences that may be applicable to the outstanding shares of Preferred Stock, the holders of Common Stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefor. Upon the liquidation, dissolution or winding up of the Company, holders of our Common Stock are entitled to share ratably in all assets legally available for distribution to stockholders remaining after payment of liabilities and the liquidation preferences of outstanding shares of Preferred Stock. Holders of Common Stock have no preemptive rights and no right to convert their Common Stock into any other securities. There are no redemption or sinking fund provisions applicable to our Common Stock.

Anti-Takeover Effects of Provisions of Charter Documents and Delaware Law

Charter Documents

In accordance with our amended and restated certificate of incorporation, our board of directors is divided into three classes, with staggered three-year terms. Only one class of directors is elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, in the case of the election of directors, holders of a plurality of the Common Stock represented at a meeting at which a quorum is present will be able to elect all of our directors. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that all actions taken by the holders of Common Stock must be effected at a duly called meeting of stockholders and not by a consent in writing, and that only our board of directors, chairman of the board, chief executive officer, or president (in the absence of a chief executive officer) or holder of greater than 10% of our Common Stock may call a special meeting of stockholders. Our amended and restated certificate of incorporation requires a 66- 2/3% stockholder vote for the amendment, repeal or modification of certain provisions of our amended and restated certificate of incorporation and our amended and restated bylaws relating to the absence of cumulative voting, the classification of our board of directors, the requirement that stockholder actions be effected at a duly called meeting, and the designated parties entitled to call a special meeting of the stockholders.

The classification of our board of directors, the lack of cumulative voting and the 66- 2/3% stockholder voting requirements make it more difficult for our existing holders of our Common Stock to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing holders of our Common Stock or another party to effect a change in management.

In addition, the authorization of undesignated Preferred Stock makes it possible for our board of directors to issue shares of Preferred Stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

Our amended and restated certificate of incorporation authorizes our board of directors to issue up to 10,000,000 shares of our Preferred Stock, of which, as of December 31, 2019: (i) 5,000,000 are designated Series A Preferred Stock, none of which are issued and outstanding as, (ii) 30,000 are designated as Series B Preferred Stock, none of which are issued and outstanding, (iii) 3,000 are designated as Series C Preferred Stock, none of which are issued and outstanding, (iv) 2,500 are designated as Series D Preferred Stock, 1,381 of which are issued and outstanding, (v) 17,000 are designated as Series E Preferred Stock, 10,000 of which are issued and outstanding and (vi) 8,333 are designated as Series F Preferred Stock, all of which are issued and outstanding. For a complete description of the terms and provisions of the Company's Preferred Stock, refer to our amended and restated certificate of incorporation and our amended and restated bylaws, both of which are filed as exhibits to this Annual Report on Form 10-K.

These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened change in control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in a business combination with any interested stockholder for a period of three years following the date the person became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested holder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (a) by persons who are directors and also officers and (b) pursuant to employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; and
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 of the DGCL defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

Section 203 of the DGCL defines an "interested stockholder" as an entity or person who, together with the entity's or person's affiliates and associates, beneficially owns, or is an affiliate of the corporation and within three years prior to the

time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation. A Delaware corporation may “opt out” of these provisions with an express provision in its certificate of incorporation. We have not opted out of these provisions, which may as a result, discourage or prevent mergers or other takeover or change of control attempts of us.

Exhibit 10.1

Deferral Agreement

Deferral Agreement Effective Date:	April 2 , 2020
Loan Agreement Date *(use restated date if applicable):*	April 26 , 2019
Borrower:	SUNESIS PHARMACEUTICALS, INC.
	☐If this box is checked, additional Borrowers ("**Additional Borrowers**") are listed in the **Annex** attached hereto (Borrower and such Additional Borrowers, collectively, "**Borrower**").
Loan Agreement:	That certain Loan and Security Agreement, dated as of the Loan Agreement Date, between Borrower, Additional Borrowers, if any, and Silicon Valley Bank ("**Bank**"), as amended, restated or otherwise modified and in effect from time to time.
Guarantor(s) or Pledgor(s):	☐If this box is checked, the obligations of Borrower are guaranteed or secured by a pledge of assets and the Consent and Ratification attached hereto shall apply and must be completed for each Guarantor and/or Pledgor.

Reference is made to the Loan Agreement and the other terms defined herein. Borrower and Bank hereby agree to the Terms and Conditions attached hereto and any applicable Annex and/or Consent and Ratification attached hereto, each of which is incorporated herein by reference (collectively, the "**Deferral Agreement**").

BANK:	BORROWER:
SILICON VALLEY BANK	SUNESIS PHARMACEUTICALS, INC.
By: /s/ Shawn Parry	By: /s/ William Quinn
Shawn Parry	William Quinn
Name	Name
Managing Director	CFO & SVP Corporate Development
Title	Title
	By:
	Name
	Title

Deferral Agreement Terms and Conditions

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

2. Interest Payments. Borrower shall at all times continue to make regularly scheduled monthly payments of accrued interest on each applicable payment date under the Loan Agreement.

3. Extension of Principal Payment Dates.

   a. The payment dates for all monthly payments of principal in respect of any term loans (but not any other facilities) which are due following the Deferral Agreement Effective Date shall each be extended by six (6) months.

   b. To the extent that the Loan Agreement permits Borrower to extend the period during which Borrower is only required to make payments of accrued interest (and no principal payments) (the "**Interest Only Period**") upon achieving one or more milestones or other thresholds, which milestones or thresholds have not yet been achieved as of the Deferral Agreement Effective Date, by execution of the Deferral Agreement, Borrower agrees that (a) the six (6) month extension of the Interest Only Period provided for by this Deferral Agreement shall supersede and replace any and all extensions of the Interest Only Period set forth in the Loan Agreement, and (b) any and all extensions of the Interest Only Period set forth in the Loan Agreement as of the Deferral Agreement Effective Date are hereby void, and shall be of no further force and effect. Nothing herein shall be construed as a modification or amendment of the existing terms and conditions in the Loan Agreement that provide for Bank to increase availability or to make additional advances or extensions of credit to Borrower, including if such increase or additional advances or extensions of credit require Borrower to achieve the same milestone or threshold that would have previously extended the Interest Only Period prior to Borrower entering into this Deferral Agreement.

   c. The amount of each monthly payment of principal following the extension shall be the same as the amount of the scheduled monthly payment of principal prior to the Deferral Agreement Effective Date.

   d. All deferred principal payments shall continue to be secured by all Collateral granted or pledged to Bank under the Loan Documents.

4. Extension of Maturity Date. The maturity date(s) for all term loans (but not any other facilities) under the Loan Agreement that occur after the Deferral Agreement Effective Date shall be extended by six (6) months, and the corresponding definitions of such maturity dates in the Loan Agreement shall be deemed to be amended accordingly.

5. Representations and Warranties. Borrower hereby represents and warrants that (a) Borrower has the power and authority to execute and deliver to Bank the Deferral Agreement, (b) the execution and delivery to Bank by Borrower of the Deferral Agreement and the performance of Borrower's obligations under the Loan Agreement, as amended by the Deferral Agreement, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made and (c) the Deferral Agreement has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws and equitable principals relating to or affecting creditors rights.

6. Ratification. Borrower hereby ratifies, confirms, and reaffirms all terms and conditions of all Loan Documents and all security or other collateral granted to Bank, and confirms that the indebtedness secured thereby includes, without limitation, the Obligations and all deferred principal payments.

7. Release. For good and valuable consideration, Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts,

circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution hereof (collectively "**Released Claims**"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing or enforcement of any of the foregoing. Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides that:

> "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights. This release may be pleaded as a full and complete defense and/or as a cross-complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into the Deferral Agreement, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events. Borrower hereby represents and warrants to Bank, and Bank is relying thereon, that (a), except as expressly stated herein, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into the Deferral Agreement, (b) Borrower has made such investigation of the facts pertaining hereto and all of the matters appertaining thereto, as it deems necessary; (c) the terms hereof are contractual and not a mere recital; (d) the Deferral Agreement has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and the Deferral Agreement is signed freely, and without duress, by Borrower and (e) Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

8. Full Force and Effect; Limitations of Deferral Agreement. Other than as expressly provided in the Deferral Agreement, the terms of the Loan Agreement remain in full force and effect. Bank's agreement to defer principal payments pursuant to the Deferral Agreement in no way shall constitute a waiver of or forbearance from any existing defaults under any of the Loan Documents, nor shall it obligate Bank to defer any future payments or waive or forbear from any future defaults under any of the Loan Documents. Nothing in the Deferral Agreement shall constitute a satisfaction of the Obligations. It is the intention of Bank and Borrower to retain as liable parties all makers of Loan Documents, unless the party is expressly released by Bank in writing. No maker will be released by virtue of the Deferral Agreement.

9. Miscellaneous.

   a. The Deferral Agreement may be executed and delivered in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

b. The words “execution,” “signed,” “signature” and words of like import in any Loan Document, including the Deferral Agreement, shall be deemed to include electronic signatures, including any Electronic Signature as defined in the Electronic Transactions Law (2003 Revision) of the Cayman Islands (the “**Cayman Islands Electronic Signature Law**”), or the keeping of records in electronic form, including any Electronic Record, as defined in Cayman Islands Electronic Signature Law, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Cayman Islands Electronic Signature Law; provided, however that sections 8 and 19(3) of the Cayman Islands Electronic Signature Law shall not apply to this Deferral Agreement or the execution or delivery thereof.

c. The Deferral Agreement shall be effective as of the Deferral Agreement Effective Date.

d. The Deferral Agreement is a Loan Document and will be construed, interpreted, and applied in accordance with the laws of the jurisdiction whose laws govern the Loan Agreement (excluding its body of law controlling conflicts of law). Each party to the Deferral Agreement submits to the jurisdiction of the same state and federal courts to which it submitted under the Loan Agreement.

e. In the event of any action or proceeding to enforce the Deferral Agreement, Bank shall be entitled to recover from Borrower its attorneys' fees and expenses, disbursements and court costs.

[End of Terms and Conditions – Annex and Consent and Ratification Follow]

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Additional Borrowers

Deferral Agreement Effective Date: April 2 , 2020

Borrower: SUNESIS PHARMACEUTICALS, INC.

This Annex forms a part of the Deferral Agreement dated as of the date indicated above between Silicon Valley Bank and Borrower, as defined above. Capitalized terms used but not defined in this Annex shall have the meanings ascribed to them in the Deferral Agreement.

Each of the undersigned (collectively, the "**Additional Borrowers**") is a party to the Loan Agreement and hereby agrees to the terms and conditions set forth in the Deferral Agreement. Upon its execution hereof, each Additional Borrower shall be deemed to be a party to the Deferral Agreement.

By: _____	By: _____
Name	Name
Title	Title
By: _____	By: _____
Name	Name
Title	Title

_____

By: _____	By: _____
Name	Name
Title	Title
By: _____	By: _____
Name	Name
Title	Title

Consent and Ratification

Deferral Agreement

This Consent and Ratification should be signed only to the extent that the Deferral Agreement to which it is attached indicates that it is applicable. Otherwise, this Consent and Ratification is not applicable and void and the following signature blocks should be left blank.

Each of the undersigned, in its capacity as a guarantor or pledgor of the Obligations under the Loan Agreement and the other Loan Documents, acknowledges receipt of the Deferral Agreement. Each of the undersigned further: (i) consents to the Deferral Agreement and the transactions and agreements contemplated thereby; (ii) reaffirms and acknowledges its continuing obligations under the guaranty, pledge agreement or other Loan Document(s) to which it is a party, and that such obligations remain in full force and effect; and (iii) acknowledges that Bank may, but shall be under no obligation to, obtain from the undersigned from time to time further acknowledgment of its continuing obligation under such agreement(s) or with respect to any extension of the time for payment of the Obligations or of any amendment of the terms thereof, waiver of any default, or forbearance in the exercise of any remedy afforded Bank by the terms of such Obligations or by law.

_____

By: _____ By: _____

Name Name

Title Title

By: _____ By: _____

Name Name

Title Title

_____

By: _____ By: _____

Name Name

Title Title

By: _____ By: _____

Name Name

Title Title

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Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Dayton Misfeldt, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 7, 2020

/s/ DAYTON MISFELDT
Dayton Misfeldt
Interim Chief Executive Officer (Principal Executive and Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Sunesis Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Dayton Misfeldt, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Periodic Report, to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: May 7, 2020

/s/ DAYTON MISFELDT
Dayton Misfeldt
Interim Chief Executive Officer (Principal Executive and Principal Financial Officer)

This certification accompanies the Form 10-Q 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-Q), irrespective of any general incorporation language contained in such filing.