U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

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 0-26866

SONUS PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	95-4343413
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

22026 20TH AVE. SE, BOTHELL, WASHINGTON 98021
(Address of Principal Executive Offices)

(425) 487-9500
(Registrant's Telephone Number, Including Area Code)

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

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

Class	Outstanding at July 15, 2000
Common Stock, $.001 par value	9,157,938

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SONUS PHARMACEUTICALS, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SONUS PHARMACEUTICALS, INC.
BALANCE SHEETS

	JUNE 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	$ 17,344,044	$ 16,804,486
Other current assets	354,421	422,851
Total current assets	17,698,465	17,227,337
Equipment, furniture and leasehold improvements, net of accumulated depreciation of $3,396,614 and $3,179,956	649,949	861,434
Total assets	$ 18,348,414	$ 18,088,771
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank line of credit	$ 5,000,000	$ 5,000,000
Accounts payable and accrued expenses	2,662,896	2,826,169
Accrued clinical trial expenses	149,292	215,102
Total current liabilities	7,812,188	8,041,271
Commitments and contingencies Stockholders' equity:		
Preferred stock; $.001 par value; 5,000,000 authorized; no shares issued or outstanding	--	--
Common stock; $.001 par value; 30,000,000 shares authorized; 9,157,938 and 8,989,225 shares issued and outstanding at June 30, 2000 and December 31, 1999, respectively	37,719,736	37,142,965
Accumulated deficit	(27,165,799)	(27,071,604)
Accumulated other comprehensive loss	(17,711)	(23,861)
Total stockholders' equity	10,536,226	10,047,500
Total liabilities and stockholders' equity	$ 18,348,414	$ 18,088,771

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Revenues:				
Collaborative agreements	$ --	$ 350,000	$ --	$ 2,050,000
Royalty revenue	44,969	--	44,969	--
Total revenue	44,969	350,000	44,969	2,050,000
Operating expenses:				
Research and development	1,288,089	1,701,602	2,378,659	3,191,481
General and administrative	1,136,107	1,872,607	2,521,288	3,583,244
Total operating expenses	2,424,196	3,574,209	4,899,947	6,774,725
Operating loss	(2,379,227)	(3,224,209)	(4,854,978)	(4,724,725)
Other income (expense):				
Interest income	196,889	123,676	352,595	292,192
Interest expense	(12,153)	(22,244)	(18,750)	(71,480)
Other income	4,250,000	--	4,250,000	--
Income (loss) before taxes	2,055,509	(3,122,777)	(271,133)	(4,504,013)
Income taxes	--	--	(176,939)	--
Net income (loss)	$ 2,055,509	$(3,122,777)	$ (94,194)	$(4,504,013)
Net income (loss) per common share:				
Basic	$ 0.22	$ (0.36)	$ (0.01)	$ (0.52)
Diluted	$ 0.22	$ (0.36)	$ (0.01)	$ (0.52)
Shares used in computation of per share amounts:				
Basic	9,155,897	8,741,513	9,112,787	8,687,423
Diluted	9,184,625	8,741,513	9,166,712	8,687,423

</TABLE>

See accompanying notes.

(UNAUDITED)

<TABLE>
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	SIX MONTHS ENDED JUNE 30,	
	2000	1999
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net loss	$ (94,194)	$ (4,504,013)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	216,657	385,664
Amortization of premium (discount) on marketable securities	--	104,540
Realized gain on marketable securities	--	(1,708)
Changes in operating assets and liabilities:		
Other current assets	68,430	192,722
Accounts payable and accrued expenses	(163,273)	530,616
Accrued clinical trial expenses	(65,810)	(457,001)
Net cash used in operating activities	(38,190)	(3,749,180)
INVESTING ACTIVITIES:		
Purchases of equipment, furniture and leasehold improvements	(5,173)	(39,098)
Purchases of marketable securities	(5,977,254)	(7,682,352)
Proceeds from sale of marketable securities	499,995	9,618,687
Proceeds from maturities of marketable securities	6,899,268	2,049,865
Net cash provided by investing activities	1,416,836	3,947,102
FINANCING ACTIVITIES:		
Proceeds from bank line of credit	10,000,000	10,000,000
Repayment of bank line of credit	(10,000,000)	(10,000,000)
Increase in long-term debt	--	30,783
Repayment of capitalized lease obligations	--	(51,393)
Proceeds from issuance of common stock	576,771	41,668
Net cash provided by financing activities	576,771	21,058
Increase in cash and cash equivalents for the period	1,955,417	218,980
Cash and cash equivalents at beginning of period	5,894,194	5,203,925
Cash and cash equivalents at end of period	7,849,611	5,422,905
Marketable securities at end of period	9,494,433	7,643,762
Total cash, cash equivalents and marketable securities	$ 17,344,044	$ 13,066,667
Supplemental cash flow information:		
Conversion of long-term debt to common stock	$ --	$ 2,080,005
Interest paid	$ 13,542	$ 16,895
Income taxes paid	$ --	$ --

</TABLE>

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required to be presented for complete financial statements. The accompanying financial statements reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented.

The financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited financial statements and the related notes thereto included in the Form 10-K for the year ended December 31, 1999 and filed with the SEC on February 29, 2000.

2. CONTINGENCIES

The Company has a manufacturing and supply agreement with Abbott Laboratories ("Abbott") for the manufacture of the Company's ultrasound contrast agents. Under this agreement, Abbott will manufacture the Company's first ultrasound contrast product, EchoGen, following FDA approval, if obtained, for a period of two years but in no event later than July 1, 2002.

The Company also has a commercial supply agreement with a third party for certain medical grade raw materials for the Company's initial product in the U.S., EchoGen. The Company is obligated to purchase certain minimum quantities of the material over a five-year period subsequent to U.S. regulatory approval of EchoGen, if obtained.

The Company is also party to certain litigation related to its business. See "Part II. Other Information; Item 1. Legal Proceedings."

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and we intend that such forward-looking statements be subject to the safe harbors created thereby. Examples of these forward-looking statements include, but are not limited to:

- the submission of applications for and the timing or likelihood of marketing approvals for one or more indications;
- market acceptance of our products;
- our anticipated future capital requirements and the terms of any capital financing;
- our ability to locate and enter into agreements with distributors for U.S. and international territories;
- our ability to identify and enter into acceptable arrangements with alternative sources of supply of EchoGen should Abbott determine not to continue to manufacture EchoGen;
- the progress and results of clinical trials;
- the timing and amount of future contractual payments, revenues and operating expenses; and
- the anticipated outcome or financial impact of legal matters.

While these statements made by us are based on our current beliefs and judgment, they are subject to risks and uncertainties that could cause actual results to vary.

In evaluating such statements, stockholders and investors should specifically consider a number of factors and assumptions, including those discussed in the text of this report and the risk factors detailed from time to time in our other filings with the Securities and Exchange Commission. As discussed in our Annual Report on Form 10-K for the year ended December 31, 1999, actual results could differ materially from those projected in the forward-looking statement as a result of the following factors, among others:

- uncertainty of governmental regulatory requirements and lengthy approval process;
- unproven safety and efficacy of products and uncertainty of clinical trials;
- history of operating losses and uncertainty of future financial results;
- future capital requirements and uncertainty of additional funding;
- dependence on third parties for funding, clinical development and distribution;
- competition and risk of technological obsolescence;
- limited manufacturing experience and dependence on limited contract manufacturers and suppliers;
- lack of marketing and sales experience;
- uncertainty of market acceptance;
- dependence on patents and proprietary rights;
- limitations on third-party reimbursement;
- uncertainty associated with drug delivery technology;
- continued listing on the NASDAQ National Market; and
- dependence on key employees.

MD&A OVERVIEW

In Management's Discussion and Analysis we explain the general financial

condition and the results of operations for our Company, including:

- an overview of our Company's business;
- regulatory progress;
- contractual agreements;
- results of operations and why those results are different from the prior year;
- the capital resources our Company currently has and possible sources of additional funding for future capital requirements; and
- the market risk of our investment portfolio.

BUSINESS OVERVIEW

Our Company is engaged in the research, development and commercialization of ultrasound contrast agents and drug delivery systems based on our proprietary technology. Our products are being developed for use in the diagnosis and treatment of heart disease, cancer and other debilitating conditions. We have financed our research and development and clinical trials through payments received under contractual agreements, private equity and debt financings, and a public offering of common stock. Clinical trials of our initial ultrasound contrast product under development, EchoGen(R) (perflenapent injectable emulsion), began in January 1994. In 1996, we filed a New Drug Application ("NDA") with the U.S. Food and Drug Administration ("FDA") for EchoGen as well as a Marketing Authorization Application ("MAA") with the European Medicines Evaluation Agency ("EMEA").

REGULATORY PROGRESS

United States

In April 1999, we received an "approvable letter" from the FDA for EchoGen. The FDA letter gave the conditions that must be satisfied before final approval. In September 1999, we filed a formal response to the conditions of the approvable letter. In March 2000, we received an action letter from the FDA that extended the approvable status for EchoGen. In April 2000, we filed our response to the March action letter. The FDA accepted our filed response as complete for review and has indicated that it will complete its review of our response by the end of October 2000. Although it is inappropriate for us to speculate on the outcome of the FDA review, we believe we have addressed the conditions requested by the FDA. No assurance can be given that the FDA will review the response to the action letter in a timely manner or that the FDA will ultimately approve EchoGen.

Europe

In March 1998, the EMEA's Committee for Proprietary Medicinal Products ("CPMP") issued a positive opinion on EchoGen for use as a transpulmonary echocardiographic contrast agent in patients with suspected or established cardiovascular disease who have had previous inconclusive non-contrast studies. In July 1998, the EMEA ratified the CPMP recommendation and granted a marketing authorization for EchoGen in the 15 countries of the European Union ("E.U."). During 1998 and 1999, we submitted to the EMEA certain variations of our marketing authorization to bring the manufacturing process and specifications for European product in line with the process and specifications submitted to the FDA for approval in the U.S. Also during 1999, we received notifications that the variations to our marketing license were approved by the EMEA with the final notification received in December 1999.

CONTRACTUAL AGREEMENTS

In 1999, we entered into a license agreement with Nycomed Imaging AS ("Nycomed") for the cross-license of certain proprietary ultrasound contrast agent technologies. Under the terms of the agreement, we provided Nycomed with an exclusive license to our ultrasound contrast patents except as related to perfluoropentane, the gas we use in our ultrasound contrast products. Under the exclusive license to the patents, Nycomed also has the right to freely sublicense to other companies with a portion of any sublicense fees to be paid to us. In addition, we have a worldwide, non-exclusive license to certain of Nycomed's ultrasound contrast agent patents. We also have the right to sublicense these patents to our collaborative partners. Under the agreement, Nycomed paid us in 1999 a license fee of $10.0 million. In addition, both companies have agreed to pay royalties to each other based on future sales of our respective ultrasound contrast agents.

Also, under the license agreement, we transferred to Nycomed the responsibilities and legal costs associated with our patent infringement litigation with Molecular Biosystems, Inc. (MBI) and Mallinckrodt Medical Inc. On May 8, 2000, the parties announced a settlement of the patent infringement litigation. The settlement followed a summary judgement by the court which found that MBI and Mallinckrodt infringed certain of our patents and rejected various challenges made by MBI and Mallinckrodt to the validity of those patents. The summary judgement also dismissed the counterclaims filed by MBI and

Mallinckrodt. Under terms of the settlement, we received a one-time payment of $2.5 million from Nycomed pursuant to our license agreement with Nycomed. We will also receive royalties on future sales of ultrasound contrast products by MBI, Mallinckrodt and Nycomed in all territories of the world except Japan and nine other Pacific Rim countries. Also, MBI and Mallinckrodt agreed to drop their counterclaims against us. See "Part II. Other Information; Item 1. Legal Proceedings."

In addition to the development of our ultrasound contrast agents, we believe our drug delivery technology can be applied to the formulation of many water insoluble active compounds, which are either currently in use or being investigated as therapeutic agents. Our strategy is to enter into feasibility study agreements with companies who own active compounds, typically large pharmaceutical companies, to confirm that their active compounds can be formulated with our proprietary delivery vehicle, and that the resulting formulation enhances the properties of that drug, including efficacy and toxicity. In December 1999, we entered into our first feasibility study agreement. Under this feasibility study agreement, we have agreed to use our reasonable best efforts to develop new formulations of an active compound and provide them to the pharmaceutical company for further evaluation.

RESULTS OF OPERATIONS

Our results of operations have varied and will continue to vary significantly and depend on, among other factors:

- timing of payments under contractual and license agreements;
- timing of regulatory approvals;
- entering into additional contractual agreements; and
- timing and costs of clinical trials, legal matters and expenses related to product commercialization.

Revenue in the second quarter of 2000 was $45,000 compared to $350,000 in the second quarter of 1999. For the six months ended June 30, 2000, revenue was $45,000 compared to $2.1 million for the prior year period. Revenue for the prior year periods were derived from payments received under collaborative agreements with third parties. Revenue in the current period represents royalties payable to us by Nycomed pursuant to our license agreement with Nycomed.

Total operating expenses were $2.4 million for the second quarter of 2000 compared with $3.6 million for the second quarter of 1999. Total operating expenses for the six months ended June 30, 2000 were $4.9 million compared to $6.8 million for the six months ended June 30, 1999. The decrease in operating expenses from the prior year was primarily due to a lower level of research and development and clinical trial spending as well as a reduction in legal costs as a result of the transfer of ongoing patent litigation responsibilities to Nycomed Amersham under the patent license agreement that we entered into with Nycomed in late 1999 and the recent patent litigation settlement announced in May 2000.

We anticipate total operating expenses will increase in future quarters due to ongoing and planned clinical trials to study additional indications for EchoGen and future products and due to higher marketing and administrative expenses as we continue to prepare for commercialization of EchoGen if approved for marketing in the U.S.

Other income in the second quarter of 2000 represents payments received of $4.25 million from patent litigation and insurance settlements. As part of the settlement of our patent litigation, we received a one-time payment of $2.5 million from Nycomed pursuant to our license agreement with Nycomed. In a separate matter, we reached an agreement on a pre-existing insurance coverage dispute from which we received a settlement of $1.75 million.

Interest income, net of interest expense, was $185,000 for the second quarter of 2000 compared with $101,000 for the same period of the prior year and $334,000 and $221,000 for the six months ended June 30, 2000 and 1999, respectively. The increase in net interest income was primarily due to higher levels of invested cash in 2000. In addition, we incurred lower levels of interest expense in 2000 as approximately $2.1 million of long-term debt payable to Abbott was converted into common stock in June 1999.

In the first quarter of 2000, we received a refund in the amount of $176,939 for international withholding taxes paid in 1995.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed operations with payments from contractual agreements with third parties, proceeds from equity financings and a bank line of credit. At June 30, 2000, we had cash, cash equivalents and marketable securities of $17.3 million compared to $16.8 million at December 31, 1999. The

slight increase was primarily due to cash received from the exercise of stock options.

We have a bank loan agreement which provides for a $5.0 million revolving line of credit facility and bears interest at the prime rate plus 1.0%. At June 30, 2000, we had borrowings of $5.0 million outstanding under the line of credit. The line of credit expires August 30, 2000 and is secured by our tangible assets. We are required to maintain a minimum of $4.0 million of cash in order to borrow under the line of credit, and the borrowed funds are required to be held at the bank. We cannot give assurance that we will be able to renew the loan agreement or that we will be able to maintain the minimum balances necessary to borrow under the line of credit.

We expect that our cash needs will increase significantly in future periods due to pending and planned clinical trials and higher administrative and marketing expenses as we prepare for commercialization of EchoGen, if approved for marketing in the United States. Based on our current operating plan, we estimate that existing cash and marketable securities will be sufficient to meet our cash requirements through 2000. We plan to seek additional funding through available means, which may include debt and/or equity financing or funding under additional third party agreements. Our future capital requirements depend on many factors including:

- the ability to obtain continued funding under existing contractual and licensing agreements;

- the ability to attract and retain new partners;
- the ability to maintain our bank line of credit;
- the time and costs required to gain regulatory approvals;
- the progress of our research and development programs and clinical trials;
- the costs of filing, prosecuting and enforcing patents, patent applications, patent claims and trademarks;
- the costs of marketing and distribution;
- the status of competing products;
- the market acceptance and third-party reimbursement of our products, if and when approved; and
- the cost of defending, and any damages or settlement payments that may be paid pursuant to legal proceedings.

We cannot give assurance that U.S. regulatory approval will be achieved in the near-term or at all or that, in any event, additional financing will be available on acceptable terms, if at all. Any equity financing would likely result in substantial dilution to our existing stockholders. If we are unable to raise additional financing, we may be required to curtail or delay the development of our products and new product research and development, which could seriously harm our business.

ITEM 3. MARKET RISK

The market risk inherent in our short-term investment portfolio represents the potential loss that could arise from adverse changes in interest rates. If market rates hypothetically increase immediately and uniformly by 100 basis points from levels at June 30, 2000, the decline in the fair value of the investment portfolio would not be material. Because we have the ability to hold our fixed income investments until maturity, we do not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

a. In January 1998, we announced that we had filed a patent infringement action in the U.S. District Court in Seattle, Washington, against Molecular Biosystems Inc. ("MBI") and Mallinckrodt Medical Inc. ("Mallinckrodt"). The suit alleged that one of MBI's ultrasound contrast agents infringed one or more of our patents. MBI filed counterclaims alleging that the patents asserted by us were invalid and not infringed, and that we made false public statements and engaged in other actions intended to damage MBI.

Under our agreement with Nycomed, Nycomed is an exclusive licensee of our patents in a field of use including non-perfluoropentane ultrasound contrast agents. Shortly after we entered into the agreement with Nycomed, Nycomed was added as a plaintiff in our lawsuit against MBI and Mallinckrodt and took control of the patent infringement portion of that lawsuit.

On May 8, 2000, the parties announced a settlement of the patent infringement litigation. The settlement followed a summary judgement by the court which found that MBI and Mallinckrodt infringed certain of our patents and rejected various challenges made by MBI and Mallinckrodt to the validity of those patents. The summary judgement also dismissed the counterclaims filed by MBI and Mallinckrodt. Under terms of the settlement, we received a one-time payment of $2.5 million from Nycomed pursuant to our license agreement with Nycomed. We will also receive royalties on future sales of ultrasound contrast products by MBI, Mallinckrodt and Nycomed in all territories of the world except Japan and nine other Pacific Rim countries. Also, MBI and Mallinckrodt agreed to drop their counterclaims against us.

In a separate matter related to the MBI and Mallinckrodt patent litigation, we also announced that we reached an agreement on a pre-existing insurance coverage dispute. Under the agreement, we received an insurance payment of $1.75 million.

b. In July 2000, DuPont Pharmaceuticals Company, DuPont Contrast Imaging, Inc., E.I. Du Pont de Nemours & Co., Inc. and DuPont Pharma, Inc. (collectively "DuPont") filed a complaint in the United States District Court for the District of Massachusetts against us and Nycomed Amersham. DuPont's complaint seeks a declaratory judgment that certain ultrasound contrast patents owned by us and licensed to Nycomed are invalid and not infringed by DuPont.

We believe DuPont's complaint is without merit and intend to vigorously defend against these allegations. Nycomed and we have filed motions to dismiss DuPont's complaint or alternatively that the case be transferred to the U.S. District Court for the Western District of Washington. Under our license agreement with Nycomed, Nycomed has the right to enforce the patents in the field of non-perfluoropentane ultrasound contrast agents on behalf of Nycomed and on our behalf, at Nycomed's expense. Pursuant to this right, Nycomed and we also have filed against DuPont a patent infringement action in the U.S. District Court for the Western District of Washington alleging that DuPont's contrast agent known as "Definity" infringes patents we own and have licensed to Nycomed. Pursuant to our license agreement with Nycomed, Nycomed will bear all costs and expenses associated with the prosecution of this action.

c. In August and September 1998, various class action complaints were filed in the Superior Court of Washington (the "State Action") and in the U.S. District Court for the Western District of Washington (the "Federal Action") against us and certain of our officers and directors, alleging violations of Washington State and U.S. securities laws. In October 1998, we and the individual defendants moved to dismiss and stay the State Action. The state law claims in the State Action were subsequently re-filed in the Federal Action. In February 1999, plaintiffs filed a consolidated and amended complaint in the

Federal Action, alleging violations of Washington State and U.S. securities laws. In March 1999, we and the individual defendants filed a motion to dismiss the consolidated amended complaint in the Federal Action. In July 1999, the Court entered an order denying in part and granting in part the motion to dismiss the complaint in the Federal Action. In November 1999, we filed motions for summary judgment and to stay discovery.

In July 2000, we, with the consent of our insurance carrier, entered into a Memorandum of Understanding with plaintiffs to settle the Federal Action for an amount within our directors and officers' insurance policy limits. The settlement is subject to approval of the Court after notice and an opportunity to object is provided to the shareholder class. Because of the time involved in providing notice and obtaining approvals, it is likely that the final approval will be obtained at the end of the year or in early 2001. Given the uncertainties of litigation, we believe that the settlement is in the best interests of our shareholders. However, there can be no assurance that the settlement will be approved by the Court.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Information regarding matters submitted to a vote of security holders at our annual meeting of stockholders held on April 27, 2000, is set forth in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.41	2000 Stock Incentive Plan (the "2000 Plan")
10.42	Form of Stock Option Agreement pertaining to the 2000 Plan

27.1 Financial Data Schedule

(b) REPORTS ON FORM 8-K

The Company filed the following report on Form 8-K during the quarter ended June 30, 2000:

1. The Registrant filed a report on Form 8-K on May 25, 2000 in connection with the announcement that the U.S. Food and Drug Administration (FDA) has accepted as complete for review our response to the March 2000 FDA action letter for our first ultrasound contrast agent, EchoGen.

ITEMS 2, 3, AND 5 ARE NOT APPLICABLE AND HAVE BEEN OMITTED.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SONUS PHARMACEUTICALS, INC.

Date: August 14, 2000

By: /s/ Richard J. Klein

Richard J. Klein
Vice President, Finance and
Assistant Secretary

EXHIBIT 10.41

SONUS PHARMACEUTICALS, INC.
2000 STOCK INCENTIVE PLAN

This 2000 STOCK INCENTIVE PLAN (the "Plan") is hereby established and adopted this 9th day of February, 2000 (the "Effective Date") by Sonus Pharmaceuticals, Inc., a Delaware corporation (the "Company").

ARTICLE 1

PURPOSES OF THE PLAN

1.1 PURPOSES. The purposes of the Plan are (a) to enhance the Company's ability to attract, motivate and retain the services of qualified employees, officers, directors, consultants and other service providers (to the extent qualifying under Article 3 hereof) upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company.

ARTICLE 2

DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings indicated:

2.1 ADMINISTRATOR. "Administrator" means the Board or, if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 AFFILIATED COMPANY. "Affiliated Company" means any "parent corporation" or "subsidiary corporation" of the Company, whether now existing or hereafter created or acquired, as those terms are defined in Sections 424(e) and 424(f) of the Code, respectively.

2.3 BOARD. "Board" means the Board of Directors of the Company.

2.4 CAUSE. "Cause" means, with respect to the termination of a Participant's employment, termination of such employment by the Company for any of the following reasons:

(a) The continued refusal or omission by the Participant to perform any material duties required of him by the Company if such duties are consistent with duties customary for the position held with the Company;

(b) Any material act or omission by the Participant involving malfeasance or gross negligence in the performance of Participant's duties to, or material deviation from any of the policies or directives of, the Company;

(c) Conduct on the part of Participant which constitutes the breach of any statutory or common law duty of loyalty to the Company; or

(d) Any illegal act by Participant which materially and adversely affects the business of the Company or any felony committed by Participant, as evidenced by conviction thereof, provided that the Company may suspend Participant with pay while any allegation of such illegal or felonious act is investigated.

2.5 CHANGE IN CONTROL. "Change in Control" shall mean (i) the acquisition, directly or indirectly, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of more than fifty percent (50%) of the outstanding securities of the Company; (ii) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated; (iii) the sale, transfer or other disposition of all or substantially all of the assets of the Company; (iv) a complete liquidation or dissolution of the Company; or (v) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such merger.

2.6 CODE. "Code" means the Internal Revenue Code of 1986, as amended

from time to time.

2.7 COMMITTEE. "Committee" means a committee of two or more members of the Board appointed to administer the Plan, as set forth in Section 7.1 hereof.

2.8 COMMON STOCK. "Common Stock" means the Common Stock, $0.001 par value of the Company, subject to adjustment pursuant to Section 4.2 hereof.

2.9 DISABILITY. "Disability" means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator's determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

2.10 EFFECTIVE DATE. "Effective Date" means February 9, 2000, which was the date on which the Plan was originally adopted by the Board.

2.11 EXERCISE PRICE. "Exercise Price" means the purchase price per share of Common Stock payable upon exercise of an Option.

2.12 FAIR MARKET VALUE. "Fair Market Value" on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange

on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq market system or such exchange on the next preceding day on which a closing sale price is quoted.

(b) If the Common Stock is not then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of evaluation, which determination shall be conclusive and binding on all interested parties.

2.13 INCENTIVE OPTION. "Incentive Option" means any Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

2.14 INCENTIVE OPTION AGREEMENT. "Incentive Option Agreement" means an Option Agreement with respect to an Incentive Option.

2.15 NASD DEALER. "NASD Dealer" means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

2.16 NONQUALIFIED OPTION. "Nonqualified Option" means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Stockholder or because it exceeds the annual limit provided for in Section 5.6 below, it shall to that extent constitute a Nonqualified Option.

2.17 NONQUALIFIED OPTION AGREEMENT. "Nonqualified Option Agreement" means an Option Agreement with respect to a Nonqualified Option.

2.18 OFFEREE. "Offeree" means a Participant to whom a Right to Purchase has been offered or who has acquired Restricted Stock under the Plan.

2.19 OPTION. "Option" means any option to purchase Common Stock granted pursuant to the Plan.

2.20 OPTION AGREEMENT. "Option Agreement" means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

2.21 OPTIONEE. "Optionee" means a Participant who holds an Option.

2.22 PARTICIPANT. "Participant" means an individual or entity who holds an Option, a Right to Purchase or Restricted Stock under the Plan.

2.23 PURCHASE PRICE. "Purchase Price" means the purchase price per share of Restricted Stock payable upon acceptance of a Right to Purchase.

2.24 RESTRICTED STOCK. "Restricted Stock" means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

2.25 RIGHT TO PURCHASE. "Right to Purchase" means a right to purchase Restricted Stock granted to an Offeree pursuant to Article 6 hereof.

2.26 SERVICE PROVIDER. "Service Provider" means a consultant or other person or entity who provides services to the Company or an Affiliated Company and who the Administrator authorizes to become a Participant in the Plan.

2.27 STOCK PURCHASE AGREEMENT. "Stock Purchase Agreement" means the written agreement entered into between the Company and the Offeree with respect to a Right to Purchase offered under the Plan.

2.28 10% STOCKHOLDER. "10% Stockholder" means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of an Affiliated Company.

ARTICLE 3

ELIGIBILITY

3.1 INCENTIVE OPTIONS. Subject to Section 3.4, officers and other key employees of the Company or of an Affiliated Company (including members of the Board if they are employees of the Company or of an Affiliated Company) are eligible to receive Incentive Options under the Plan.

3.2 NONQUALIFIED OPTIONS AND RIGHTS TO PURCHASE. Subject to Section 3.4, officers and other key employees of the Company or of an Affiliated Company, members of the Board (whether or not employed by the Company or an Affiliated Company), and Service Providers are eligible to receive Nonqualified Options or Rights to Purchase under the Plan.

3.3 LIMITATION ON SHARES. In no event shall any Participant be granted Rights to Purchase or Options in any one calendar year pursuant to which the aggregate number of shares of Common Stock that may be acquired thereunder exceeds 400,000 shares.

3.4 RESTRICTIONS. Notwithstanding anything contained in this Plan to the contrary, including, without limitation, Sections 3.1 and 3.2 above, (i) no Incentive Options shall be issued under the Plan; and (ii) no director or officer of the Company or any Affiliated Company shall be eligible to receive any Incentive Option, Nonqualified Option or Right to Purchase, or any right to receive the same, pursuant to this Plan unless and until this Plan has been approved by the affirmative vote of holders of a majority of the outstanding shares of the Company's Common Stock.

ARTICLE 4

PLAN SHARES

4.1 SHARES SUBJECT TO THE PLAN. The number of shares of Common Stock that may be issued under the Plan shall be equal to the sum of (a) 500,000 shares, plus (b) as of the last day of each calendar year during the term of the Plan, commencing December 31, 2000, an additional number of shares equal to four percent (4%) of the shares of the Company's Common Stock outstanding as of such date, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. Notwithstanding the previous sentence, the maximum number of shares issuable under the Plan shall be 5,000,000. For purposes of this limitation, in the event that (a) all or any portion of any Option or Right to Purchase granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company pursuant to an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option or such Right to Purchase, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

4.2 CHANGES IN CAPITAL STRUCTURE. In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then appropriate adjustments shall be made by the Administrator to the aggregate number and kind of shares subject to this Plan, and the number and kind of shares and the price per share subject to outstanding Option Agreements,

Rights to Purchase and Stock Purchase Agreements in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

ARTICLE 5

OPTIONS

5.1 OPTION AGREEMENT. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement which shall specify the number of shares subject thereto, vesting provisions relating to such Option, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable, including, without limitation, the imposition of any rights of first refusal and resale obligations upon any shares of Common Stock acquired pursuant to an Option Agreement. Each Option Agreement may be different from each other Option Agreement.

5.2 EXERCISE PRICE. The Exercise Price per share of Common Stock covered by each Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, (b) the Exercise Price of a Nonqualified Option shall not be less than 85% of Fair

Market Value on the date the Nonqualified Option is granted, and (c) if the person to whom an Option is granted is a 10% Stockholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Option is granted.

5.3 PAYMENT OF EXERCISE PRICE. Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Optionee, which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the Optionee's promissory note in a form and on terms acceptable to the Administrator; (e) the cancellation of indebtedness of the Company to the Optionee; (f) the waiver of compensation due or accrued to the Optionee for services rendered; (g) provided that a public market for the Common Stock exists, a "same day sale" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; (h) provided that a public market for the Common Stock exists, a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (i) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

5.4 TERM AND TERMINATION OF OPTIONS. The term and termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than ten (10) years after the date it is granted. An Incentive Option granted to a person who is a 10% Stockholder on the date of grant shall not be exercisable more than five (5) years after the date it is granted.

5.5 VESTING AND EXERCISE OF OPTIONS. Each Option shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives, as shall be determined by the Administrator.

5.6 ANNUAL LIMIT ON INCENTIVE OPTIONS. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock shall not, with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year, exceed $100,000.

5.7 NONTRANSFERABILITY OF OPTIONS. No Option shall be assignable or transferable except by will or the laws of descent and distribution, and during the life of the Optionee shall be exercisable only by such Optionee; provided, however, that, in the discretion of the Administrator, any Option may be assigned or transferred in any manner which such Option is permitted to be assigned or transferred under the Code.

5.8 RIGHTS AS STOCKHOLDER. An Optionee or permitted transferee of an

Option shall have no rights or privileges as a Stockholder with respect to any shares covered by an Option until such

Option has been duly exercised and certificates representing shares purchased upon such exercise have been issued to such person.

ARTICLE 6

RIGHTS TO PURCHASE

6.1 NATURE OF RIGHT TO PURCHASE. A Right to Purchase granted to an Offeree entitles the Offeree to purchase, for a Purchase Price determined by the Administrator, shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives.

6.2 ACCEPTANCE OF RIGHT TO PURCHASE. An Offeree shall have no rights with respect to the Restricted Stock subject to a Right to Purchase unless the Offeree shall have accepted the Right to Purchase within ten (10) days (or such longer or shorter period as the Administrator may specify) following the grant of the Right to Purchase by making payment of the full Purchase Price to the Company in the manner set forth in Section 6.3 hereof and by executing and delivering to the Company a Stock Purchase Agreement. Each Stock Purchase Agreement shall be in such form, and shall set forth the Purchase Price and such other terms, conditions and restrictions of the Restricted Stock, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each Stock Purchase Agreement may be different from each other Stock Purchase Agreement.

6.3 PAYMENT OF PURCHASE PRICE. Subject to any legal restrictions, payment of the Purchase Price upon acceptance of a Right to Purchase Restricted Stock may be made, in the discretion of the Administrator, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Offeree that have been held by the Offeree for at least six (6) months, which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the Offeree's promissory note in a form and on terms acceptable to the Administrator; (e) the cancellation of indebtedness of the Company to the Offeree; (f) the waiver of compensation due or accrued to the Offeree for services rendered; or (g) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

6.4 RIGHTS AS A STOCKHOLDER. Upon complying with the provisions of Section 6.2 hereof, an Offeree shall have the rights of a Stockholder with respect to the Restricted Stock purchased pursuant to the Right to Purchase, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in the Stock Purchase Agreement. Unless the Administrator shall determine otherwise, certificates evidencing shares of Restricted Stock shall remain in the possession of the Company in accordance with the terms of the Stock Purchase Agreement.

6.5 RESTRICTIONS. Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided in the Stock Purchase Agreement or by the Administrator. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider status for any reason whatsoever (including death or disability), the Stock Purchase Agreement may provide, in the

discretion of the Administrator, that the Company shall have the right, exercisable at the discretion of the Administrator, to repurchase (i) at the original Purchase Price, any shares of Restricted Stock which have not vested as of the date of termination, and (ii) at Fair Market Value, any shares of Restricted Stock which have vested as of such date, on such terms as may be provided in the Stock Purchase Agreement.

6.6 VESTING OF RESTRICTED STOCK. The Stock Purchase Agreement shall specify the date or dates, the performance goals or objectives which must be achieved, and any other conditions on which the Restricted Stock may vest.

6.7 DIVIDENDS. If payment for shares of Restricted Stock is made by promissory note, any cash dividends paid with respect to the Restricted Stock may be applied, in the discretion of the Administrator, to repayment of such note.

6.8 NONASSIGNABILITY OF RIGHTS. No Right to Purchase shall be assignable or transferable except by will or the laws of descent and distribution or as otherwise provided by the Administrator.

ARTICLE 7

ADMINISTRATION OF THE PLAN

7.1 ADMINISTRATOR. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of two (2) or more members of the Board (the "Committee"). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. As used herein, the term "Administrator" means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

7.2 POWERS OF THE ADMINISTRATOR. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which, Incentive Options or Nonqualified Options shall be granted and Rights to Purchase shall be offered, the number of shares to be represented by each Option and Right to Purchase and the consideration to be received by the Company upon the exercise thereof; (b) to interpret the Plan; (c) to create, amend or rescind rules and regulations relating to the Plan; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements and Stock Purchase Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a Participant's rights under any Option or Right to Purchase under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement or Stock Purchase Agreement; (g) to accelerate the vesting of any Option or release or waive any repurchase rights of the Company with respect to Restricted Stock; (h) to extend the exercise date of any Option or acceptance date of any Right to Purchase; (i) to provide for rights of first refusal and/or repurchase rights; (j) to amend outstanding Option Agreements and Stock Purchase Agreements to provide for, among other things, any change or modification which the Administrator could have provided for upon the grant of an Option or Right to Purchase or in furtherance of the powers provided for herein; and (k) to make all other determinations necessary or advisable for the administration of the Plan, but

only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants.

7.3 LIMITATION ON LIABILITY. No employee of the Company or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 8

CHANGE IN CONTROL

8.1 CHANGE IN CONTROL. In order to preserve a Participant's rights in the event of a Change in Control of the Company (i) the time period relating to the exercise or realization of all outstanding Options and Rights to Purchase shall automatically accelerate immediately prior to consummation of such Change in Control if the Administrator does not take the action described in subitem (C) of this Section 8.1 and (ii) with respect to Options and Rights to Purchase, the Administrator in its discretion may, at any time an Option or Right to Purchase is granted, or at any time thereafter, take one or more of the following actions: (A) provide for the purchase of each Option or Right to Purchase for an amount of cash or other property that could have been received upon the exercise of the Option or Right to Purchase had the Option been currently exercisable, (B) adjust the terms of the Options and Rights to Purchase in a manner determined by the Administrator to reflect the Change in Control, (C) cause the Options and Rights to Purchase to be assumed, or new rights substituted therefor, by another entity, through the continuance of the Plan and the assumption of outstanding Options and Rights to Purchase, or the substitution for such Options and Rights to Purchase of new options and new rights to purchase of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares and Exercise Prices, in which event the Plan and such Options and Rights to Purchase, or the new options and rights to purchase substituted therefor, shall continue in the manner and under the terms so provided or (D) make such other provision as the Committee may consider equitable. If the Administrator does not take any of the forgoing actions, all Options and Rights to Purchase shall

terminate upon the consummation of the Change in Control and the Administrator shall cause written notice of the proposed transaction to be given to all Participants not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

ARTICLE 9

AMENDMENT AND TERMINATION OF THE PLAN

9.1 AMENDMENTS. The Board may from time to time alter, amend, suspend or terminate the Plan in such respects as the Board may deem advisable. No such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any

Participant under an outstanding Option Agreement or Stock Purchase Agreement without such Participant's consent. The Board may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionee more favorable tax treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

9.2 PLAN TERMINATION. Unless the Plan shall theretofore have been terminated, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date and no Options or Rights to Purchase may be granted under the Plan thereafter, but Option Agreements, Stock Purchase Agreements and Rights to Purchase then outstanding shall continue in effect in accordance with their respective terms.

ARTICLE 10

CANCELLATION & RECISSION

10.1 NON-COMPETITION. Unless an Option Agreement specifies otherwise, the Administrator may cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid, or deferred Options at any time if the Participant in nor in compliance with all applicable provisions of the Option Agreement and the Plan, or if the Participant engages in any "Adverse Activity." For purposes of this Section 10, "Adverse Activity" shall include: (i) the disclosure to anyone outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Participant either during or after employment with the Company; (ii) the failure or refusal to disclose promptly and to assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company; or (iii) activity that results in termination of the Participant's employment for Cause.

10.2 AGREEMENT UPON EXERCISE. Upon exercise, payment or delivery pursuant to an Option Agreement, the Participant shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan. In the event a Participant fails to comply with the provisions of paragraphs (i)-(iii) of Section 10.1 prior to, or during the six (6) months after, any exercise, payment or delivery pursuant to an Option Agreement, such exercise, payment or delivery may be rescinded within two years thereafter. In the event of any such rescission, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the exercise, payment or delivery, in such manner and on such terms and conditions as may be required, and the Company shall be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Company.

ARTICLE 11

TAX WITHHOLDING

11.1 WITHHOLDING. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements with respect to any Options exercised or Restricted Stock issued under the Plan. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the

basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise of an Option or as a result of the purchase of or lapse of restrictions on Restricted Stock or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

ARTICLE 12

MISCELLANEOUS

12.1 BENEFITS NOT ALIENABLE. Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

12.2 NO ENLARGEMENT OF EMPLOYEE RIGHTS. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to interfere with the right of the Company or any Affiliated Company to discharge any Participant at any time.

12.3 APPLICATION OF FUNDS. The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Stock Purchase Agreements, except as otherwise provided herein, will be used for general corporate purposes.

12.4 ANNUAL REPORTS. During the term of this Plan, the Company will furnish to each Participant copies of annual financial reports that the Company distributes generally to its stockholders.

EXHIBIT 10.42

SONUS PHARMACEUTICALS, INC.

STOCK OPTION AGREEMENT

TYPE OF OPTION (CHECK ONE): [ ] INCENTIVE [ ] NONQUALIFIED

This Stock Option Agreement (the "Agreement") is entered into as of _____, 200_, by and between SONUS PHARMACEUTICALS, INC., a Delaware corporation (the "Company"), and _____ (the "Optionee") pursuant to the Company's 2000 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the meaning ascribed to it in the Plan.

1. GRANT OF OPTION. The Company hereby grants to Optionee an option (the "Option") to purchase all or any portion of a total of_____(_____) shares (the "Shares") of the Common Stock of the Company at a purchase price of _____ ($_____) per share (the "Exercise Price"), subject to the terms and conditions set forth herein and the provisions of the Plan. If the box marked "Incentive" above is checked, then this Option is intended to qualify as an "incentive stock option" as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). If this Option fails in whole or in part to qualify as an incentive stock option, or if the box marked "Nonqualified" is checked, then this Option shall to that extent constitute a nonqualified stock option.

2. VESTING OF OPTION. The right to exercise this Option shall vest in installments, and this Option shall be exercisable from time to time in whole or in part as to any vested installment, as follows:

<TABLE>
<CAPTION>

On or After:	This Option shall be Exercisable as to
<S>	<C>
(i) the first anniversary of this Agreement:	__ % of the Shares
(ii) the second anniversary of this Agreement:	an additional __ % of the Shares
(iii) the third anniversary of this Agreement:	an additional __ % of the Shares
(iv) the fourth anniversary of this Agreement:	an additional __ % of the Shares
(v) the fifth anniversary of this Agreement:	an additional __ % of the Shares

</TABLE>

No additional shares shall vest after the date of termination of Optionee's Continuous Service, as defined below, but this Option shall continue to be exercisable in accordance with Section 3 hereof with respect to that number of shares that have vested as of the date of termination of Optionee's Continuous Service. As used in this Agreement, the term "Continuous Service" means (i) employment by either the Company or any parent or subsidiary corporation of the Company, or by a corporation or a parent or subsidiary of a corporation issuing or assuming a stock option in a transaction to which Section 424(a) of the Internal Revenue Code of 1986, as amended (the "Code") applies, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, (ii) service as a member of the Board of Directors or as an officer of the Company until Optionee resigns, is removed from office, or Optionee's term of office expires and he is not reelected, or (iii) so long as Optionee is engaged as a consultant or service provider to the Company or other corporation referred to in clause (i) above.

3. TERM OF OPTION. Optionee's right to exercise this Option shall terminate immediately upon the first to occur of the following:

(a) the expiration of ten (10) years from the date of this Agreement;

(b) termination of Optionee's Continuous Service if such termination occurs for any reason other than permanent disability, death or voluntary resignation;

(c) the expiration of ___ (_) month from the date of termination of Optionee's Continuous Service if such termination occurs due to voluntary resignation; provided, however, that if Optionee dies during such one-month period the provisions of Section 3(e) below shall apply;

(d) the expiration of one (1) year from the date of termination

of Optionee's Continuous Service if such termination is due to permanent disability of the Optionee (as defined in Section 22(e)(3) of the Code);

(e) the expiration of one (1) year from the date of termination of Optionee's Continuous Service if such termination is due to Optionee's death or if death occurs during the one-month period following termination of Optionee's Continuous Service pursuant to Section 3(c) above; or

(f) upon the consummation of a "Change in Control" (as defined in Section 2.5 of the Plan), unless otherwise provided pursuant to Section 11 below.

4. EXERCISE OF OPTION. On or after the vesting of any portion of this Option in accordance with Sections 2 or 11 hereof, and until termination of the right to exercise this Option in accordance with Section 3 above, the portion of this Option which has vested may be exercised in whole or in part by the Optionee (or, after his or her death, by the person designated in Section 5 below) upon delivery of the following to the Company at its principal executive offices:

(a) a written notice of exercise which identifies this Agreement and states the number of Shares then being purchased (but no fractional Shares may be purchased);

(b) a check or cash in the amount of the Exercise Price (or payment of the Exercise Price in such other form of lawful consideration as the Administrator may approve from time to time under the provisions of Section 5.3 of the Plan);

(c) a check or cash in the amount reasonably requested by the Company to satisfy the Company's withholding obligations under federal, state or other applicable tax laws with respect to the taxable income, if any, recognized by the Optionee in connection with the exercise of this Option (unless the Company and Optionee shall have made other arrangements for deductions or withholding from Optionee's wages, bonus or other compensation payable to Optionee, or by the withholding of Shares issuable upon exercise of this Option or the delivery of Shares owned by the Optionee in accordance with Section 11.1 of the Plan, provided such arrangements satisfy the requirements of applicable tax laws); and

(d) a letter, if requested by the Company, in such form and substance as the Company may require, setting forth the investment intent of the Optionee, or person designated in Section 5 below, as the case may be.

5. DEATH OF OPTIONEE; NO ASSIGNMENT. The rights of the Optionee under this Agreement may not be assigned or transferred except by will or by the laws of descent and distribution, and may be exercised during the lifetime of the Optionee only by such Optionee. Any attempt to sell, pledge, assign, hypothecate, transfer or dispose of this Option in contravention of this Agreement or the Plan shall be void and shall have no effect. If the Optionee's Continuous Service terminates as a result of his or her death, and provided Optionee's rights hereunder shall have vested pursuant to Section 2 hereof, Optionee's legal representative, his or her legatee, or the person who acquired the right to exercise this Option by reason of the death of the Optionee (individually, a "Successor") shall succeed to the Optionee's rights and obligations under this Agreement. After the death of the Optionee, only a Successor may exercise this Option.

6. REPRESENTATIONS AND WARRANTIES OF OPTIONEE.

(a) Optionee represents and warrants that this Option is being acquired by Optionee for Optionee's personal account, for investment purposes only, and not with a view to the distribution, resale or other disposition thereof.

(b) Optionee acknowledges that the Company may issue Shares upon the exercise of the Option without registering such Shares under the Securities Act of 1933, as amended (the "Securities Act"), on the basis of certain exemptions from such registration requirement. Accordingly, Optionee agrees that his or her exercise of the Option may be expressly conditioned upon his or her delivery to the Company of an investment certificate including such representations and undertakings as the Company may reasonably require in order to assure the availability of such exemptions, including a representation that Optionee is acquiring the Shares for investment and not with a present intention of selling or otherwise disposing thereof and an agreement by Optionee that the certificates evidencing the Shares may bear a legend indicating such non-registration under the Securities Act and the resulting restrictions on transfer. Optionee acknowledges that, because Shares received upon exercise of an Option may be unregistered, Optionee may be required to hold the Shares indefinitely unless they are subsequently registered for resale under the Securities Act or an exemption from such registration is available.

(c) Optionee acknowledges receipt of a copy of the Plan and understands that all rights and obligations connected with this Option are set forth in this Agreement and in the Plan.

7. RIGHT OF FIRST REFUSAL.

(a) The Shares acquired pursuant to the exercise of this Option may be sold by the Optionee only in compliance with the provisions of this Section 7, and subject in all cases to compliance with the provisions of Section 6(b) hereof. Prior to any intended sale, Optionee shall first give written notice (the "Offer Notice") to the Company specifying (i) his or her bona fide intention to sell or otherwise transfer such Shares, (ii) the name and address of the proposed purchaser(s), (iii) the number of Shares the Optionee proposes to sell (the "Offered Shares"), (iv) the price for which he or she proposes to sell the Offered Shares, and (v) all other material terms and conditions of the proposed sale.

(b) Within thirty (30) days after receipt of the Offer Notice, the Company or its nominee(s) may elect to purchase all or any portion of the Offered Shares at the price and on the terms and conditions set forth in the Offer Notice by delivery of written notice (the "Acceptance Notice") to the Optionee specifying the number of Offered Shares that the Company or its nominees

elect to purchase. Within fifteen (15) days after delivery of the Acceptance Notice to the Optionee, the Company and/or its nominee(s) shall deliver to the Optionee payment of the amount of the purchase price of the Offered Shares to be purchased pursuant to this Section 7, against delivery by the Optionee of a certificate or certificates representing the Offered Shares to be purchased, duly endorsed for transfer to the Company or such nominee(s), as the case may be. Payment shall be made on the same terms as set forth in the Offer Notice or, at the election of the Company or its nominees(s), by check or wire transfer of funds. If the Company and/or its nominee(s) do not elect to purchase all of the Offered Shares, the Optionee shall be entitled to sell the balance of the Offered Shares to the purchaser(s) named in the Offer Notice at the price specified in the Offer Notice or at a higher price and on the terms and conditions set forth in the Offer Notice; provided, however, that such sale or other transfer must be consummated within 60 days from the date of the Offer Notice and any proposed sale after such 60-day period may be made only by again complying with the procedures set forth in this Section 7.

(c) The Optionee may transfer all or any portion of the Shares to a trust established for the sole benefit of the Optionee and/or his or her spouse or children without such transfer being subject to the right of first refusal set forth in this Section 7, provided that the Shares so transferred shall remain subject to the terms and conditions of this Agreement and no further transfer of such Shares may be made without complying with the provisions of this Section 7.

(d) Any Successor of Optionee pursuant to Section 5 hereof, and any transferee of the Shares pursuant to this Section 7, shall hold the Shares subject to the terms and conditions of this Agreement and no further transfer of the Shares may be made without complying with the provisions of this Section 7 and the Plan.

(e) The provisions of this Section 7 shall not apply to a sale of the Shares to the Company pursuant to Section 8 below.

(f) The rights provided the Company and its nominee(s) under this Section 7 shall terminate upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

8. COMPANY'S REPURCHASE RIGHT.

(a) The Company shall have the right (but not the obligation) to repurchase (the "Repurchase Right") any or all of the Shares acquired pursuant to the exercise of this Option in the event that the Optionee's Continuous Service should terminate for any reason whatsoever, including without limitation Optionee's death, disability, voluntary resignation or termination by the Company with or without cause. Upon exercise of the Repurchase Right, the Optionee shall be obligated to sell his or her Shares to the Company, as provided in this Section 8. The Repurchase Right may be exercised by the Company at any time during the period commencing on the date of termination of Optionee's Continuous Service and ending one-hundred twenty (120) days after the last to occur of the following:

(i) the termination of Optionee's Continuous Service;

(ii) the expiration of Optionee's right to exercise this Option pursuant to Section 3 hereof; or

(iii) in the event of Optionee's death, receipt by the Company of notice of the identity and address of Optionee's Successor (as defined in Section 5 hereof).

(b) The purchase price for Shares repurchased hereunder (the "Repurchase Price") shall be the Fair Market Value per share of Common Stock (determined in accordance with Section 2.12 of the Plan) as of the date of termination of Optionee's Continuous Service.

(c) Written notice of exercise of the Repurchase Right, stating the number of Shares to be repurchased and the Repurchase Price per Share, shall be given by the Company to the Optionee or his or her Successor, as the case may be, during the period specified in Section 8(a) above.

(d) The Repurchase Price shall be payable, at the option of the Company, by check or by cancellation of all or a portion of any outstanding indebtedness of Optionee to the Company, or by any combination thereof. The Repurchase Price shall be paid without interest within sixty (60) days after delivery of the notice of exercise of the Repurchase Right, against delivery by the Optionee or his or her Successor of a certificate or certificates representing the Shares to be repurchased, duly endorsed for transfer to the Company.

(e) The rights provided the Company under this Section 8 shall terminate upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

9. RESTRICTIVE LEGENDS.

(a) Optionee hereby acknowledges that federal securities laws and the securities laws of the state in which he or she resides may require the placement of certain restrictive legends upon the Shares issued upon exercise of this Option, and Optionee hereby consents to the placing of any such legends upon certificates evidencing the Shares as the Company, or its counsel, may deem necessary or advisable.

(b) In addition, all stock certificates evidencing the Shares shall be imprinted with a legend substantially as follows:

> THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, REPURCHASE RIGHTS AND A RIGHT OF FIRST REFUSAL IN FAVOR OF THE CORPORATION AND/OR ITS NOMINEE(S), AS SET FORTH IN A STOCK OPTION AGREEMENT. TRANSFER OF THESE SHARES MAY BE MADE ONLY IN COMPLIANCE WITH THE PROVISIONS OF SAID AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF SAID CORPORATION. SUCH TRANSFER RESTRICTIONS, REPURCHASE RIGHTS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

10. ADJUSTMENTS UPON CHANGES IN CAPITAL STRUCTURE. In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a

recapitalization, stock split, combination of shares, reclassification, stock dividend or other similar change in the capital structure of the Company, then appropriate adjustment shall be made by the Administrator to the number of Shares subject to the unexercised portion of this Option and to the Exercise Price per share, in order to preserve, as nearly as practical, but not to increase, the benefits of the Optionee under this Option, in accordance with the provisions of Section 4.2 of the Plan.

11. CHANGE IN CONTROL. In the event of a Change in Control of the Company, (i) the vesting of this Option pursuant to Section 2 above shall automatically accelerate immediately prior to the consummation of such Change in Control if the Administrator does not take the action described in subitem (C) of this Section 11, and (ii) the Administrator in its discretion may take one or more of the following actions: (A) provide for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference, or spread, between (x) the value of the cash or other property that the Optionee would have received pursuant to such Change in Control transaction in exchange for the shares issuable upon exercise of this Option had this Option been exercised immediately prior to such Change in Control transaction and (y) the Exercise Price, (B) adjust the terms of this Option in a manner determined by the Administrator to reflect the Change in Control, (C) cause this Option to be assumed, or new rights substituted therefor, by another entity, through the continuance of the Plan and the assumption of this Option, or the substitution

for this Option of a new option of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares and Exercise Price, in which event the Plan and this Option, or the new option substituted therefor, shall continue in the manner and under the terms so provided, or (D) make such other provision as the Administrator may consider equitable. If the Administrator does not take any of the forgoing actions, this Option shall terminate upon the consummation of the Change in Control and the Administrator shall cause written notice of the proposed transaction to be given to the Optionee not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

12. NO EMPLOYMENT CONTRACT CREATED. Neither the granting of this Option nor the exercise hereof shall be construed as granting to the Optionee any right with respect to continuance of employment by the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will the Optionee's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved.

13. RIGHTS AS SHAREHOLDER. The Optionee (or transferee of this option by will or by the laws of descent and distribution) shall have no rights as a shareholder with respect to any Shares covered by this Option until the date of the issuance of a stock certificate or certificates to him or her for such Shares, notwithstanding the exercise of this Option.

14. "MARKET STAND-OFF" AGREEMENT. Optionee agrees that, if requested by the Company or the managing underwriter of any proposed public offering of the Company's securities, Optionee will not sell or otherwise transfer or dispose of any Shares held by Optionee without the prior written consent of the Company or such underwriter, as the case may be, during such period of time, not to exceed 180 days following the effective date of the registration statement filed by the Company with respect to such offering, as the Company or the underwriter may specify.

15. INTERPRETATION. This Option is granted pursuant to the terms of the Plan, and shall in all respects be interpreted in accordance therewith. The Administrator shall interpret and construe this Option and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator shall be final and binding on the Company and the Optionee. As used in this

Agreement, the term "Administrator" shall refer to the committee of the Board of Directors of the Company appointed to administer the Plan, and if no such committee has been appointed, the term Administrator shall mean the Board of Directors.

16. NOTICES. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, and addressed, if to the Company, at its principal place of business, Attention: the Chief Financial Officer, and if to the Optionee, at his or her most recent address as shown in the employment or stock records of the Company.

18. GOVERNING LAW. The validity, construction, interpretation, and effect of this Option shall be governed by and determined in accordance with the laws of the State of California.

19. SEVERABILITY. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

20. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be deemed one instrument.

21. CALIFORNIA CORPORATE SECURITIES LAW. The sale of the shares that are the subject of this Agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such shares or the payment or receipt of any part of the consideration therefor prior to such qualification is unlawful, unless the sale of such shares is exempt from such qualification by Section 25100, 25102 or 25105 of the California Corporate Securities Law of 1968, as amended. The rights of all parties to this Agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

SONUS PHARMACEUTICALS, INC. "OPTIONEE"

By:_____ _____

(Signature)

Its:_____ _____

(Type or print name)

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