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 SEPTEMBER 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 September 30, 2000
Common Stock, $.001 par value	9,160,334

SONUS PHARMACEUTICALS, INC.
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Items 2, 3, 4 and 5 are not applicable and therefore have been omitted.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SONUS PHARMACEUTICALS, INC.
BALANCE SHEETS

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	$ 15,286,417	$ 16,804,486
Other current assets	408,327	422,851
Total current assets	15,694,744	17,227,337
Equipment, furniture and leasehold improvements, net of accumulated depreciation of $3,485,614 and $3,179,956	565,161	861,434
Total assets	$ 16,259,905	$ 18,088,771
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank line of credit	$ 5,000,000	$ 5,000,000
Accounts payable and accrued expenses	2,765,868	2,826,169
Accrued clinical trial expenses	117,006	215,102
Total current liabilities	7,882,874	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; 9,160,334 and 8,989,225 shares issued and outstanding at September 30, 2000 and December 31, 1999, respectively	37,726,876	37,142,965
Accumulated deficit	(29,332,134)	(27,071,604)
Accumulated other comprehensive loss	(17,711)	(23,861)
Total stockholders' equity	8,377,031	10,047,500
Total liabilities and stockholders' equity	$ 16,259,905	$ 18,088,771

See accompanying notes.

STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Revenues:				
Collaborative agreements	$ -	$ 10,000,000	$ -	$ 12,050,000
Royalty revenue	68,338	-	113,307	-
Total revenue	68,338	10,000,000	113,307	12,050,000
Operating expenses:				
Research and development	1,374,687	1,214,740	3,753,346	4,406,223
General and administrative	1,028,660	1,916,067	3,549,949	5,499,311
Total operating expenses	2,403,347	3,130,807	7,303,295	9,905,534
Operating income (loss)	(2,335,009)	6,869,193	(7,189,988)	2,144,466
Other income (expense):				
Interest income	173,672	63,471	526,269	355,662
Interest expense	(4,998)	(20,335)	(23,750)	(91,814)
Other income	-	-	4,250,000	-
Income (loss) before taxes	(2,166,335)	6,912,329	(2,437,469)	2,408,314
Income taxes	-	-	(176,939)	-
Net income (loss)	$ (2,166,335)	$ 6,912,329	$ (2,260,530)	$ 2,408,314
Net income (loss) per common share:				
Basic	$ (0.24)	$ 0.77	$ (0.25)	$ 0.27
Diluted	$ (0.24)	$ 0.76	$ (0.25)	$ 0.27
Shares used in computation of per share amounts:				
Basic	9,157,964	8,984,550	9,127,846	8,786,465
Diluted	9,157,964	9,089,663	9,127,846	8,932,683

</TABLE>

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
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	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income (loss)	$ (2,260,530)	$ 2,408,314
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	305,193	484,152
Changes in operating assets and liabilities:		
Contract receivable	-	(5,000,000)
Other current assets	14,524	253,520
Accounts payable and accrued expenses	(60,301)	1,020,262
Accrued clinical trial expenses	(98,096)	(995,954)
Net cash used in operating activities	(2,099,210)	(1,829,706)
INVESTING ACTIVITIES:		
Purchases of equipment, furniture and leasehold improvements	(8,920)	(39,098)
Purchases of marketable securities	(7,690,228)	(15,350,254)
Proceeds from sale of marketable securities	499,995	12,613,763
Proceeds from maturities of marketable securities	8,883,781	7,049,147
Net cash provided by investing activities	1,684,568	4,273,558
FINANCING ACTIVITIES:		
Proceeds from bank line of credit	15,000,000	15,000,000
Repayment of bank line of credit	(15,000,000)	(15,000,000)
Increase in long-term debt	-	30,783
Repayment of capitalized lease obligations	-	(62,156)
Proceeds from issuance of common stock	583,911	41,668
Net cash provided by financing activities	583,911	10,295
Increase in cash and cash equivalents for the period	169,269	2,454,147
Cash and cash equivalents at beginning of period	5,894,194	5,203,925
Cash and cash equivalents at end of period	6,063,463	7,658,072
Marketable securities at end of period	9,222,954	7,490,663
Total cash, cash equivalents and marketable securities	$ 15,286,417	$ 15,148,735
Supplemental cash flow information:		
Conversion of long-term debt to common stock	$-	$ 2,080,005
Interest paid	$ 23,750	$ 39,729
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 is party to certain legal matters 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

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;
- 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
- certain factors that may affect our business and future results.

BUSINESS OVERVIEW

Our Company is engaged in the research and development of drug delivery and blood substitute products based on our proprietary emulsion and surfactant technology.

In the area of drug delivery, we are applying our TOCOSOL(TM) oil-in-water emulsion technology to the formulation of poorly soluble drugs for delivery to the patient in a less toxic and more convenient method of administration. The first application of our drug delivery technology is an injectable paclitaxel emulsion formulation, S-8184, which is under development for the treatment of breast, ovarian or lung cancer. We recently filed an Investigational New Drug Application, or IND, with the U.S. Food and Drug Administration and plan to initiate Phase 1 human clinical studies with S-8184 early in 2001.

We are also developing a perfluorocarbon-based blood substitute product, S-9156, for oxygenation of the body's tissues in applications such as acute or surgical blood loss, treatment of radiotherapy resistant tumors or in cases of compromised blood oxygen carrying capacity. We entered into a research agreement with the State University of New York at Buffalo in March 2000 for development of our blood substitute product and plan to complete pre-clinical studies with S-9156 and file an Investigational New Drug Application, or IND, in 2001.

In October 2000, we announced a strategic decision to refocus our business on the development of our drug delivery and blood substitute products. In addition, we withdrew the New Drug Application, or NDA, and discontinued clinical activity for our ultrasound contrast product, EchoGen(R). We also decided not to pursue commercialization of EchoGen in Europe. These decisions were based on several factors, including discussions with the FDA that revealed that significant amount of additional work would need to be done to get EchoGen approved in the U.S. and the opportunities available to advance our drug delivery and blood substitute products.

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;

- - entering into additional contractual agreements;

- - timing and costs of clinical trials, legal matters and expenses related to product development; and

- - timing of regulatory approvals.

Revenue in the third quarter of 2000 was $68,000 compared to $10.0 million in the third quarter of 1999. Revenue in the third quarter of 2000 represents royalty income payable to us by Nycomed under our patent license agreement with Nycomed. Revenue in the third quarter of 1999 represents the $10.0 million license fee paid to us by Nycomed upon signing the patent licensing agreement with Nycomed. Revenue was $113,000 for the nine months ended September 30, 2000 and represented royalty income from Nycomed while revenue in the prior year period was $12.1 million, consisting of the $10.0 million license fee from Nycomed and $2.1 million received under collaborative agreements with third parties.

Total operating expenses were $2.4 million for the third quarter of 2000 compared with $3.1 million for the third quarter of 1999. Total operating expenses for the nine months ended September 30, 2000 were $7.3 million compared with $9.9 million for the same period in 1999. The decrease in operating expenses from the prior year was primarily due to a lower level of research and development spending and lower general and administrative expenses due to the reduction in legal costs as a result of the transfer of ongoing patent litigation responsibilities to Nycomed under the patent license agreement that we entered into with Nycomed in 1999 and the settlement of that patent litigation in May 2000.

Other income for the nine months ended September 30, 2000 represents payments received in the second quarter of 2000 totalling $4.25 million from patent litigation and insurance settlements.

Interest income, net of interest expense, was $168,000 for the third quarter of 2000 compared with $43,000 for the same period of the prior year and $503,000 and $264,000 for the nine months ended September 30, 2000 and 1999, respectively. The increase in net interest income was primarily due to higher levels of invested cash in 2000.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed operations with payments received under contractual agreements with third parties, proceeds from equity financings and a bank line of credit. At September 30, 2000, we had cash, cash equivalents and marketable securities of $15.3 million compared with $16.8 million at December 31, 1999. The slight decrease in cash balances from December 31, 1999 was primarily due to the current year net loss of $2.2 million offset in part by cash received of $583,000 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 September 30, 2000, we had borrowings of $5.0 million outstanding under the line of credit. The line of credit expires August 30, 2001 and is secured by our tangible assets. We are required to maintain a minimum of $5.0 million of cash in order to borrow under the line of credit, and the borrowed funds are required to be held at the borrowing 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 in future periods due to planned clinical trials and other product development costs associated with our drug delivery and blood substitute products. Based on our current operating plan for 2001 including planned clinical trials and other product development costs, we estimate that existing cash and marketable securities will be sufficient to meet our cash requirements through 2001. However, we may 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 attract and retain new collaborative agreement partners;

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

- - the ability to maintain our bank line of credit;

- - the progress of our research and development programs and clinical trials;

- - the time and costs required to obtain regulatory approvals;

- - the costs of filing, prosecuting and enforcing patents, patent applications, patent claims and trademarks; and

- - the cost of defending, and any damages or settlement payments that may be paid pursuant to legal proceedings.

We cannot give assurance that additional financing will be available on acceptable terms, if at all. Any equity financing would likely result in substantial dilution to our existing stockholders and debt financing, if available, may include restrictive covenants. 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.

CERTAIN FACTORS THAT MAY AFFECT OUR BUSINESS AND FUTURE RESULTS

This report contains forward looking statements which are based upon management's current beliefs and judgment. These statements and our business are subject to a number of risks and uncertainties, some of which are discussed below. Other risks are presented elsewhere in this report. You should consider the following risks carefully in addition to the other information contained in this report before purchasing shares of our common stock. If any of the following risks actually occur, they could seriously harm our business, financial condition or results of operations. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

If we fail to develop products, then we may never realize revenue from product commercialization. A key element of our business strategy is to utilize our technologies for the development and commercialization of drug delivery and blood substitute products. Our drug delivery technology is a new approach to the formulation of water insoluble compounds for therapeutic applications. To date, we have performed preclinical testing on our blood substitute product, S-9156, and only one of our drug delivery products, S-8184. Significant expenditures in additional research and development, clinical testing, regulatory and sales and marketing activities will be necessary in order for us to commercialize any products developed with our technology. While it is our strategy to develop additional products under our drug delivery technology by entering into feasibility study agreements with companies who own active compounds, there can be no assurance that we will enter into any additional feasibility studies. Moreover, there can be no assurance that these feasibility studies will result in development or license agreements. Without feasibility studies or development or license agreements, we may need to scale back or terminate our efforts to develop other products under our drug delivery technology.

We have a history of operating losses; and we may never become profitable. We have experienced significant accumulated losses since our inception in 1991, and are expected to incur net losses in the foreseeable future. These losses have resulted primarily from expenses associated with our research and development activities, including preclinical and clinical trials, and general and administrative expenses.

We anticipate that our operating losses will continue as we further invest in research and development for our drug delivery and blood substitute products. Even if we generate significant product revenues, there can be no assurance that we will be able to sustain profitability. Our results of operations have varied and will continue to vary significantly and depend on, among other factors:

- the entering into new collaborative or product license agreements;

- the timing of payments, if any, under collaborative partner agreements;

- the timing and costs of clinical trials;

- the success of our research and development efforts; and

- costs related to obtaining, defending and enforcing patents.

We may need additional capital in the future. If additional capital is not available, we may have to curtail or cease operations. Our development efforts to date have consumed substantial amounts of cash and we have generated only limited revenues from payments received from our contractual agreements. Our future capital requirements depend on many factors including:

- our ability to obtain and retain funding from third parties under contractual agreements;

- the ability to maintain our bank line of credit;

- our progress on research and development programs and clinical trials;

- the time and costs required to gain regulatory approvals;

- 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; and

- the market acceptance and third-party reimbursement of our products, if approved.

Additional capital may not be available on terms acceptable to us, or at all. Any equity financing would likely result in substantial dilution to existing stockholders and debt financing, if available, may include restrictive covenants. If we are unable to raise additional financing, we may have to reduce our expenditures, scale back our development of new products or license to others products that we otherwise would seek to commercialize ourselves.

We depend on third parties for funding, clinical development and distribution. We are dependent on third parties for funding and performance of a variety of activities including research, clinical development and manufacturing our products. If we are unable to establish these arrangements with third parties, if they are terminated or the collaborations are not successful, we will be required to identify alternative partners to fund or perform research, clinical development, and/or manufacturing, which could have a material adverse effect on our business, financial condition and results of operations. Our success depends in part upon the performance by these collaborators of their responsibilities under these arrangements. We have no control over the resources that any collaborator may devote to the development and commercialization of products under these collaborations and our collaborators may fail to conduct their collaborative activities successfully or in a timely manner.

Governmental regulatory requirements are lengthy and expensive and failure to obtain necessary approvals will prevent us or our collaborators from commercializing a product. We are subject to uncertain governmental regulatory requirements and a lengthy approval process for our products prior to any commercial sales of our products. The development and commercial use of our products is regulated by the U.S. Food and Drug Administration, or FDA, the European Medicines Evaluation Agency, or EMEA, and comparable foreign regulatory agencies. The regulatory approval process for new products is lengthy and expensive. Before we can file an application with the FDA and comparable foreign agencies, the product candidate must undergo extensive testing, including animal studies and human clinical trials that can take many years and may require substantial expenditures. Data obtained from such testing may

be susceptible to varying interpretations which could delay, limit or prevent regulatory approval. In addition, changes in regulatory policy for product approval may cause delays or rejections. Our company, and any collaborative partners may encounter significant delays or excessive costs in our efforts to secure necessary approvals. We cannot predict if or when any of our products under development will be commercialized.

Future U.S. or foreign legislative or administrative actions also could prevent or delay regulatory approval of our products. Even if regulatory approvals are obtained, they may include significant limitations on the indicated uses for which a product may be marketed. A marketed product also is subject to continual FDA, EMEA and other regulatory agency review and regulation. Later discovery of previously unknown problems or failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market, as well as possible civil or criminal sanctions. In addition, if marketing approval is obtained, the FDA, EMEA or other regulatory agency may require post-marketing testing and surveillance programs to monitor the product's efficacy and side effects. Results of these post-marketing programs may prevent or limit the further marketing of a product.

The markets for pharmaceutical products are highly competitive and if we fail to compete effectively our revenues will decline. The health care industry is characterized by extensive research efforts and rapid technological change. Competition in the development of pharmaceutical products is intense and expected to increase. We also believe that other medical and pharmaceutical companies will compete with us in the areas of research and development, acquisition of products and technology licenses, and the manufacturing and marketing of drug delivery and blood substitute products. We expect that competition in the drug delivery and blood substitute fields will be based primarily on:

- efficacy;

- safety;

- ease of administration;

- breadth of approved indications; and

- physician, healthcare payor and patient acceptance.

Many of our competitors and potential competitors have substantially greater financial, technical and human resources than we do and have substantially greater experience in developing products, obtaining regulatory approvals and marketing and manufacturing medical products. Accordingly, these competitors may succeed in obtaining FDA approval for their products more rapidly than us. In addition, other technologies or products may be developed that have an entirely different that would render our technology and products noncompetitive or obsolete.

We primarily rely on third party suppliers and manufacturers to produce products that we develop and failure to retain such suppliers and manufacturers would adversely impact our ability to commercialize our products. We currently rely on third parties to supply the chemical ingredients necessary for our drug delivery and blood substitute products. The active chemical ingredients for our products are manufactured by a limited number of vendors. The inability of these vendors to supply medical-grade materials to us could delay the manufacture of, or cause us to cease the manufacturing of our products. We also rely on third parties to manufacture our drug delivery and blood substitute products for research and development and clinical trials. Suppliers and manufacturers of our products must operate under GMP regulations, as required by the FDA, and there are a limited number of contract manufacturers that operate under GMP regulations. If we do not develop an in-house manufacturing capability or we are not able to identify and qualify alternative contract manufacturers, we may not be able to produce the required amount of our products for research and development and clinical trials. Failure to retain qualified suppliers and manufacturers will delay our research and development efforts as well as the time it takes to commercialize our products, which could materially adversely affect our operating results.

If we fail to secure adequate intellectual property protection or become involved in an intellectual property dispute, it could significantly harm our financial results and ability to compete. Our success will depend, in part, on our ability to obtain and defend patents and protect trade secrets. The patent position of medical and pharmaceutical companies is highly uncertain and involves complex legal and factual questions. There can be no assurance that any claims which are included in pending or future patent applications will be issued, that any issued patents will provide us with competitive advantages or will not be challenged by third parties, or that the existing or future patents of third parties will not have an adverse effect on our ability to commercialize our products. Furthermore, there can be no assurance that other companies will not independently develop similar products, duplicate any of our products or design around patents that may be issued to us. Litigation may be necessary to enforce any patents issued to us or to determine the scope and validity of others' proprietary rights in court or administrative proceedings. Any litigation or administrative proceeding could result in substantial costs to us and distraction of our management. An adverse ruling in any litigation or administrative proceeding could have a material adverse effect on our business, financial condition and results of operations.

Our commercial success will depend in part on not infringing patents issued to competitors. There can be no assurance that patents belonging to competitors will not require us to alter our products or processes, pay licensing fees or cease development of our current or future products. Any litigation regarding infringement could result in substantial costs to us and distraction of our management, and any adverse ruling in any litigation could have a material adverse effect on our business, financial condition and results of operations. Further, there can be no assurance that we will be able to license other technology that we may require at a reasonable cost or at all. Failure by us to obtain a license to any technology that we may require to commercialize our products would have a material adverse effect on our business, financial condition and results of operations. In addition, to determine the priority of inventions and the ultimate ownership of patents, we may participate in interference, reissue or re-examination proceedings conducted by the PTO or in proceedings before foreign agencies with respect to any of our existing patents or patent applications or any future patents or applications, any of which could result in loss of ownership of existing, issued patents, substantial costs to us and distraction of our management.

The success of our products will depend, in part, on the acceptance of our products by third party payors. Our ability to successfully commercialize products that we develop will depend, in part, upon the extent to which reimbursement of the cost of such products will be available from domestic and foreign health administration authorities, private health insurers and other payor organizations. Third party payors are increasingly challenging the price of medical products and services or restricting the use of certain procedures in an attempt to limit costs. Further, significant uncertainty exists as to the reimbursement status of newly approved health care products, and there can be no assurance that adequate third party coverage will be available.

Failure to satisfy Nasdaq National Market Listing requirements may result in our stock being delisted from the Nasdaq National Market. Our common stock is currently listed on the Nasdaq National Market under the symbol "SNUS." For continued inclusion on the Nasdaq National Market, we must maintain among other requirements net tangible assets of at least $4.0 million, a minimum bid price of $1.00 per share, and a market value of our public float of at least $5.0 million. As of the date of this report, we had net tangible assets in excess of the $4.0 million requirement; however, our shares were trading at less than $1.00 per share and the market cap of our public float was less than $5.0 million. In the event that we fail to satisfy the listing standards on a continuous basis, our common stock may be removed from listing on the Nasdaq National Market. If our common stock is delisted from the Nasdaq National Market, trading of our common stock, if any, would be conducted in the over-the-counter market in the so-called "pink sheets" or, if available, the NASD's "Electronic Bulletin Board." As a result, stockholders could find it more difficult to dispose of, or to obtain accurate quotations as to the value of, our common stock and the trading price per share could be reduced.

If we lose our key personnel or are unable to attract and retain qualified scientific and management personnel, we may be unable to become profitable. We are highly dependent on our key executives. The loss of any of these key executives or the inability to recruit and retain qualified scientific personnel to perform research and development and qualified management personnel could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that we will be able to attract and retain such personnel on acceptable terms, if at all, given the competition for experienced scientists and other personnel among numerous medical and pharmaceutical companies, universities and research institutions.

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 September 30, 2000, the decline in the fair value of the investment portfolio would not be material. We believe we have the ability to hold our fixed income investments until maturity and therefore 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 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 certain Nycomed Amersham-related entities. 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 and Nycomed believe DuPont's complaint is without merit and intend to vigorously defend against the complaint.

Under our license agreement with Nycomed, Nycomed has the right to enforce the patents in the field of non-perflouropentane 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. The patent infringement action filed in Washington is based on the same questions of patent infringement and validity that were raised in the Massachusetts action. It is likely that only one of these actions will go forward so that the entire patent dispute between Nycomed, us, and DuPont will be heard in one court, either in Washington or in Massachusetts.

Pursuant to our license agreement with Nycomed, Nycomed will bear all costs and expenses associated with the prosecution of the Washington action and the defense of the Massachusetts action.

b. In 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. In November 2000, the parties filed with the Court a Stipulation of Settlement and related exhibits. 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 not likely that final approval would be obtained until 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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.43	Loan and Security Agreement between SONUS Pharmaceuticals, Inc. and Silicon Valley Bank
10.44	Change in Control Agreement for Richard J. Klein
27.1	Financial Data Schedule

(b) REPORTS ON FORM 8-K

The Company filed no reports on Form 8-K during the quarter ended September 30, 2000.

ITEMS 2, 3, 4 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: November 14, 2000

By: /s/ Richard J. Klein

Richard J. Klein
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 10.43

LOAN AND SECURITY AGREEMENT
SONUS PHARMACEUTICALS, INC.

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THIS LOAN AND SECURITY AGREEMENT dated September 6, 2000, between SILICON VALLEY BANK ("Bank"), whose address is 3003 Tasman Drive, Santa Clara, California 95054 with a loan production office located at 4110 Carillon Point, Kirkland, Washington 98033 and SONUS PHARMACEUTICALS, INC. ("Borrower"), whose address is 22026 20th Avenue SE, Bothell , Washington 98021. Additionally, Borrower has reincorporated and assumed the outstanding Obligations between Sonus Pharmaceuticals, Inc., a Delaware corporation pursuant to that certain Loan and Security Agreement dated August 11, 1995.

AGREEMENT

The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement will be construed following GAAP. Calculations and determinations must be made following GAAP. The term "financial statements" includes the notes and schedules. The terms "including" and "includes" always mean "including (or includes) without limitation," in this or any Loan Document. This Agreement shall be construed to impart upon Bank a duty to act reasonably at all times.

2 LOAN AND TERMS OF PAYMENT

2.1 ADVANCES.

Borrower will pay Bank the unpaid principal amount of all Advances and interest on the unpaid principal amount of the Advances.

2.1.1 REVOLVING ADVANCES.

(a) Bank will make Advances not exceeding the Committed Revolving Line. Amounts borrowed under this Section may be repaid and reborrowed during the term of this Agreement.

(b) To obtain an Advance, Borrower must notify Bank by facsimile or telephone by 3:00 p.m. Pacific time on the Business Day the Advance is to be made. Borrower must promptly confirm the notification by delivering to Bank the Payment/Advance Form attached as Exhibit B. Bank will credit Advances to Borrower's deposit account. Bank may make Advances under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Advances are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee. Borrower will indemnify Bank for any loss Bank suffers due to such reliance.

(c) The Committed Revolving Line terminates on the Revolving Maturity Date, when all Advances are immediately payable.

2.2 INTEREST RATE, PAYMENTS.

(a) Interest Rate. Advances accrue interest on the outstanding principal balance at a per annum rate of 1 percentage point above the Prime Rate. After an Event of Default, Obligations accrue interest at 5 percent above the rate effective immediately before the Event of Default. The interest rate increases or decreases when the Prime Rate changes. Interest is computed on a 360 day year for the actual number of days elapsed.

(b) Payments. Interest due on the Committed Revolving Line is payable on the last day of each month. Bank may debit any of Borrower's deposit accounts for principal and interest payments owing or any amounts Borrower owes Bank. Bank will promptly notify Borrower when

it debits Borrower's accounts. These debits are not a set-off. Payments received after 12:00 noon Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest accrue.

2.3 FEES.

Borrower will pay:

(a) Facility Fee. A fully earned, non-refundable Facility Fee of $15,000 due on the Closing Date; and

(b) Bank Expenses. All Bank Expenses (including reasonable attorneys' fees and reasonable expenses) incurred through and after the date of this Agreement, are payable when due.

3 CONDITIONS OF LOANS

3.1 CONDITIONS PRECEDENT TO INITIAL ADVANCE.

Bank's obligation to make the initial Advance is subject to the condition precedent that it receive the agreements, documents and fees it requires.

3.2 CONDITIONS PRECEDENT TO ALL ADVANCES.

Bank's obligations to make each Advance, including the initial Advance, is subject to the following:

(a) timely receipt of any Payment/Advance Form; and

(b) the representations and warranties in Section 5 must be materially true on the date of the Payment/Advance Form and on the effective date of each Advance and no Event of Default may have occurred and be continuing, or result from the Advance. Each Advance is Borrower's representation and warranty on that date that the representations and warranties of Section 5 remain true.

4 CREATION OF SECURITY INTEREST

4.1 GRANT OF SECURITY INTEREST.

Borrower grants Bank a continuing security interest in all presently existing and later acquired Collateral to secure all Obligations and performance of each of Borrower's duties under the Loan Documents. Except for Permitted Liens, any security interest will be a first priority security interest in the Collateral. Bank may place a "hold" on any deposit account pledged as Collateral. If this Agreement is terminated, Bank's lien and security interest in the Collateral will continue until Borrower fully satisfies its Obligations.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 DUE ORGANIZATION AND AUTHORIZATION.

Borrower and each Subsidiary is duly existing and in good standing in its state of formation and qualified and licensed to do business in, and in good standing in, any state in which

the conduct of its business or its ownership of property requires that it be qualified, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change.

The execution, delivery and performance of the Loan Documents have been

duly authorized, and do not conflict with Borrower's formation documents, nor constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which or by which it is bound in which the default could reasonably be expected to cause a Material Adverse Change.

5.2 COLLATERAL.

Borrower has good title to the Collateral, free of Liens except Permitted Liens. All Inventory is in all material respects of good and marketable quality, free from material defects.

5.3 LITIGATION.

Except as shown in the Schedule, there are no actions or proceedings pending or, to the knowledge of Borrower's Responsible Officers, threatened by or against Borrower or any Subsidiary in which a likely adverse decision could reasonably be expected to cause a Material Adverse Change.

5.4 NO MATERIAL ADVERSE CHANGE IN FINANCIAL STATEMENTS.

All consolidated financial statements for Borrower, and any Subsidiary, delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.5 SOLVENCY.

The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 REGULATORY COMPLIANCE.

Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to cause a Material Adverse Change. None of Borrower's or any Subsidiary's properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each Subsidiary has timely filed all required tax returns and paid, or made adequate provision to pay, all material taxes, except those being contested in good faith with adequate reserves under GAAP. Borrower and each Subsidiary has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted, except where the failure to do so could not reasonably be expected to cause a Material Adverse Change.

5.7 SUBSIDIARIES.

Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 FULL DISCLOSURE.

No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank (taken together with all such written certificates and written statements to Bank) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading. It being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected and forecasted results.

6 AFFIRMATIVE COVENANTS

Borrower will do all of the following:

6.1 GOVERNMENT COMPLIANCE.

Borrower will maintain its and all Subsidiaries' legal existence and good standing in its jurisdiction of formation and maintain qualification in

each jurisdiction in which the failure to so qualify would reasonably be expected to cause a material adverse effect on Borrower's business or operations. Borrower will comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on Borrower's business or operations or would reasonably be expected to cause a Material Adverse Change.

6.2 FINANCIAL STATEMENTS, REPORTS, CERTIFICATES.

(a) Borrower will deliver to Bank: (i) as soon as available, but no later than 30 days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during the period, in a form and certified by a Responsible Officer acceptable to Bank; (ii) as soon as available, but no later than 90 days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm reasonably acceptable to Bank; (iii) within 5 days of filing, copies of all statements, reports and notices made available to Borrower's security holders or to any holders of Subordinated Debt and all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission; (iv) a prompt report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of $100,000 or more; and (v) budgets, sales projections, operating plans or other financial information Bank reasonably requests.

(b) Within 30 days after the last day of each month, Borrower will deliver to Bank aged listings of its accounts receivable and accounts payable.

(c) Within 30 days after the last day of each month, Borrower will deliver to Bank with the monthly financial statements a Compliance Certificate signed by a Responsible Officer in the form of Exhibit C.

(d) Bank has the right to audit Borrower's Collateral at Borrower's expense, but the audits will be conducted no more often than every year unless an Event of Default has occurred and is continuing.

6.3 INVENTORY; RETURNS.

Borrower will keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its account debtors will follow Borrower's customary practices as they exist at execution of this Agreement. Borrower must promptly notify Bank of all returns, recoveries, disputes and claims, that involve more than $50,000.

6.4 TAXES.

Borrower will make, and cause each Subsidiary to make, timely payment of all material federal, state, and local taxes or assessments and will deliver to Bank, on demand, appropriate certificates attesting to the payment.

6.5 INSURANCE.

Borrower will keep its business and the Collateral insured for risks and in amounts, as Bank may reasonably request. Insurance policies will be in a form, with companies, and in amounts that are satisfactory to Bank in Bank's reasonable discretion. All property policies will have a lender's loss payable endorsement showing Bank as an additional loss payee and all liability policies will show the Bank as an additional insured and provide that the insurer must give Bank at least 20 days notice before canceling its policy. At Bank's request, Borrower will deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy will, at Bank's option, be payable to Bank on account of the Obligations. Statutory notice regarding insurance:

WARNING

Unless you provide us with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to

provide proof of coverage.

This coverage we purchased may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

6.6 PRIMARY ACCOUNTS.

Borrower will maintain its primary depository and operating accounts with Bank.

6.7 OTHER COVENANTS.

(a) Borrower shall maintain at all times cash and cash equivalents of not less than $5,000,000 net of any outstanding borrowings with Bank.

(b) Any Advances shall be deposited directly into Borrower's deposit account with Bank.

6.8 FURTHER ASSURANCES.

Borrower will execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's security interest in the Collateral or to effect the purposes of this Agreement.

7 NEGATIVE COVENANTS

Borrower will not do any of the following without Bank's prior written consent, which will not be unreasonably withheld:

7.1 DISPOSITIONS.

Convey, sell, lease, transfer or otherwise dispose of (collectively "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, other than Transfers (i) of Inventory in the ordinary course of business; (ii) of licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; or (iii) of worn-out or obsolete Equipment.

7.2 CHANGES IN BUSINESS, OWNERSHIP, MANAGEMENT OR BUSINESS LOCATIONS.

Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower or reasonably related thereto or have a material change in its ownership or management (other than the sale of Borrower's equity securities in a public offering or to private equity investors approved by Bank) of greater than 25%. Borrower will not, without at least 30 days prior written notice, relocate its chief executive office or add any new offices or business locations.

7.3 MERGERS OR ACQUISITIONS.

Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, except where (i) no Event of Default has occurred and is continuing or would result from such action during the term of this Agreement and (ii) such transaction would not result in a decrease of more than 25% of Tangible Net Worth. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 INDEBTEDNESS.

Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 ENCUMBRANCE.

Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted here, subject to Permitted Liens.

7.6 DISTRIBUTIONS; INVESTMENTS.

Directly or indirectly acquire or own any Person, or make any Investment in any Person, other than Permitted Investments, or permit any of its Subsidiaries to do so. Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock, except for repurchases of stock from former employees or directors of Borrower under the terms applicable

repurchase agreements in an aggregate amount not to exceed $50,000 in any fiscal year, provided that no Event of Default has occurred, is continuing or would exist after giving effect to the repurchases.

7.7 TRANSACTIONS WITH AFFILIATES.

Directly or indirectly enter into or permit any material transaction with any Affiliate except transactions that are in the ordinary course of Borrower's business, on terms less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.8 SUBORDINATED DEBT.

Make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt, or amend any provision in any document relating to the Subordinated Debt without Bank's prior written consent.

7.9 COMPLIANCE.

Become an "investment company" or a company controlled by an "investment company," under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Advance for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business or operations or would reasonably be expected to cause a Material Adverse Change, or permit any of its Subsidiaries to do so.

8 EVENTS OF DEFAULT

Any one of the following is an Event of Default:

8.1 PAYMENT DEFAULT.

If Borrower fails to pay any of the Obligations within 3 days after their due date. During the additional period the failure to cure the default is not an Event of Default (but no Advance will be made during the cure period);

8.2 COVENANT DEFAULT.

If Borrower violates any covenant in Section 7 or does not perform or observe any other material term, condition or covenant in this Agreement, any Loan Documents, or in any agreement between Borrower and Bank and as to any default under a term, condition or covenant that can be cured, has not cured the default within 10 days after it occurs, or if the default cannot be cured within 10 days or cannot be cured after Borrower's attempts within 10 day period, and the default may be cured within a reasonable time, then Borrower has an additional period (of not more than 30 days) to attempt to cure the default. During the additional time, the failure to cure the default is not an Event of Default (but no Advances will be made during the cure period);

8.3 MATERIAL ADVERSE CHANGE.

(i) If there occurs a material impairment in the perfection or priority of the Bank's security interest in the Collateral or in the value of such Collateral which is not covered by adequate insurance or (ii) if the Bank determines, based upon information available to it and in its reasonable judgment, that there is a reasonable likelihood that Borrower will fail to comply with

one or more of the financial covenants in Section 6.7 during the next succeeding financial reporting period.

8.4 ATTACHMENT.

If any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in 10 days, or if Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business or if a judgment or other claim becomes a Lien on a material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within 10 days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Advances will be made during the cure period);

8.5 INSOLVENCY.

If Borrower becomes insolvent or if Borrower begins an Insolvency Proceeding or an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within 30 days (but no Advances will be made before any Insolvency Proceeding is dismissed);

8.6 OTHER AGREEMENTS.

If there is a default in any agreement between Borrower and a third party that gives the third party the right to accelerate any Indebtedness exceeding $100,000 or that could cause a Material Adverse Change;

8.7 JUDGMENTS.

If a money judgment(s) in the aggregate of at least $50,000 is rendered against Borrower and is unsatisfied and unstayed for 10 days (but no Advances will be made before the judgment is stayed or satisfied); or

8.8 MISREPRESENTATIONS.

If Borrower or any Person acting for Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document.

9 BANK'S RIGHTS AND REMEDIES

9.1 RIGHTS AND REMEDIES.

When an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) Declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) Stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) Settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Bank considers advisable;

(d) Make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrower will assemble the Collateral if Bank requires and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(e) Apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral; and

(g) Dispose of the Collateral according to the Code.

9.2 POWER OF ATTORNEY.

Effective only when an Event of Default occurs and continues, Borrower irrevocably appoints Bank as its lawful attorney to: (i) endorse Borrower's name on any checks or other forms of payment or security; (ii) sign Borrower's name on any invoice or bill of lading for any Account or drafts against account debtors, (iii) make, settle, and adjust all claims under Borrower's insurance policies; (iv) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Bank determines reasonable; and (v) transfer the Collateral into the name of Bank or a third party as the Code permits. Bank may exercise the power of attorney to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred. Bank's appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Advances terminates.

9.3 ACCOUNTS COLLECTION.

When an Event of Default occurs and continues, Bank may notify any Person owing Borrower money of Bank's security interest in the funds and verify the amount of the Account. Borrower must collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the account debtor, with proper endorsements for deposit.

9.4 BANK EXPENSES.

If Borrower fails to pay any amount or furnish any required proof of payment to third persons, Bank may make all or part of the payment or obtain insurance policies required in Section 6.5, and take any action under the policies Bank deems prudent. Any amounts paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then applicable rate and secured by the Collateral. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.5 BANK'S LIABILITY FOR COLLATERAL.

If Bank complies with reasonable banking practices and Section 9-207 of the Code, it is not liable for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 REMEDIES CUMULATIVE.

Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay is not a waiver, election, or acquiescence. No waiver is effective unless signed by Bank and then is only effective for the specific instance and purpose for which it was given.

9.7 DEMAND WAIVER.

Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices or demands by any party about this Agreement or any other related agreement must be in writing and be personally delivered or sent by an overnight delivery service, by certified mail, postage prepaid, return receipt requested, or by telefacsimile to the addresses set forth at the beginning of this Agreement. A party may change its notice address by giving the other party written notice.

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Washington law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in King County, Washington.

BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 SUCCESSORS AND ASSIGNS.

This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights under it without Bank's prior written consent which may be granted or withheld in Bank's discretion. Bank has the right, without the consent of or notice to Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits under this Agreement.

12.2 INDEMNIFICATION.

Borrower will indemnify, defend and hold harmless Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and

liabilities asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or in connection with transactions between Bank and Borrower (including reasonable attorneys fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

12.3 TIME OF ESSENCE.

Time is of the essence for the performance of all obligations in this Agreement.

12.4 SEVERABILITY OF PROVISION.

Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.5 AMENDMENTS IN WRITING, INTEGRATION.

All amendments to this Agreement must be in writing and signed by Borrower and Bank. This Agreement represents the entire agreement about this subject matter, and supersedes prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement merge into this Agreement and the Loan Documents. UNDER WASHINGTON AND OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BANK AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.

12.6 COUNTERPARTS.

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.7 SURVIVAL.

All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligations of Borrower in Section 12.2 to indemnify Bank will survive until all statutes of limitations for actions that may be brought against Bank have run.

12.8 CONFIDENTIALITY.

In handling any confidential information, Bank will exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made (i) to Bank's subsidiaries or affiliates in connection with their business with Borrower, (ii) to prospective transferees or purchasers of any interest in the loans, (iii) as required by law, regulation, subpoena, or other order, (iv) as required in connection with Bank's examination or audit and (v) as Bank considers appropriate exercising remedies under this Agreement. Confidential information does not include information that either: (a) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (b) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

12.9 EFFECT OF AMENDMENT AND RESTATEMENT.

This Agreement is intended to and does completely amend and restate, without novation, the Original Agreement. All advances or loans outstanding under the Original Agreement are and shall continue to be outstanding under this Agreement. All security interests granted under the Original Agreement are hereby confirmed and ratified and shall continue to secure all Obligations under this Agreement.

12.10 ATTORNEYS' FEES, COSTS AND EXPENSES.

In any action or proceeding between Borrower and Bank arising out of the Loan Documents, the prevailing party will be entitled to recover its reasonable attorneys' fees and other reasonable costs and expenses incurred, in addition to any other relief to which it may be entitled.

13 DEFINITIONS

13.1 DEFINITIONS.

In this Agreement:

"ACCOUNTS" are all existing and later arising accounts, contract rights, and other obligations owed Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned or reclaimed by Borrower and Borrower's Books relating to any of the foregoing.

"ADVANCE" or "ADVANCES" is a loan advance (or advances) under the Committed Revolving Line.

"AFFILIATE" of a Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"BANK EXPENSES" are all audit fees and expenses and reasonable costs and expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings).

"BORROWER'S BOOKS" are all Borrower's books and records including ledgers, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information.

"BUSINESS DAY" is any day that is not a Saturday, Sunday or a day on which the Bank is closed.

"CLOSING DATE" is the date of this Agreement.

"CODE" is the Washington Uniform Commercial Code.

"COLLATERAL" is the property described on Exhibit A.

"COMMITTED REVOLVING LINE" is an Advance of up to $5,000,000.

"CONTINGENT OBLIGATION" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (i) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (ii) any obligations for undrawn letters of credit for the account of that Person; and (iii) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by

the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement.

"EQUIPMENT" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

"ERISA" is the Employment Retirement Income Security Act of 1974, and its regulations.

"GAAP" is generally accepted accounting principles.

"INDEBTEDNESS" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations.

"INSOLVENCY PROCEEDING" are proceedings by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"INVENTORY" is present and future inventory in which Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or

constructive, of Borrower, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title.

"INVESTMENT" is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

"LIEN" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"LOAN DOCUMENTS" are, collectively, this Agreement, any note, or notes or guaranties executed by Borrower or Guarantor, and any other present or future agreement between Borrower and/or for the benefit of Bank in connection with this Agreement, all as amended, extended or restated.

"MATERIAL ADVERSE CHANGE" is defined in Section 8.3.

"OBLIGATIONS" are debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, including cash management services, letters of credit and foreign exchange contracts, if any and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank.

"PERMITTED INDEBTEDNESS" is:

(a) Borrower's indebtedness to Bank under this Agreement or any other Loan Document;

(b) Indebtedness existing on the Closing Date and shown on the Schedule;

(c) Subordinated Debt;

(d) Indebtedness to trade creditors incurred in the ordinary course of business; and

(e) Indebtedness secured by Permitted Liens.

"PERMITTED INVESTMENTS" are:

(a) Investments shown on the Schedule and existing on the Closing Date; and

(b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any State maturing within 1 year from its acquisition, (ii) commercial paper maturing no more than 1 year after its creation and having the highest rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., and (iii) Bank's certificates of deposit issued maturing no more than 1 year after issue and (iv) any Investments permitted by Borrower's investment policy, as amended from time to time, provided that such investment policy has been approved by Bank.

"PERMITTED LIENS" are:

(a) Liens existing on the Closing Date and shown on the Schedule or arising under this Agreement or other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, if they have no priority over any of Bank's security interests;

(c) Purchase money Liens (i) on Equipment acquired or held by Borrower or its Subsidiaries incurred for financing the acquisition of the Equipment, or (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment;

(d) Licenses or sublicenses granted in the ordinary course of Borrower's business and any interest or title of a licensor or under any license or sublicense, if the licenses and sublicenses permit granting Bank a security interest;

(e) Leases or subleases granted in the ordinary course of Borrower's business, including in connection with Borrower's leased premises or leased property;

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase.

"PERSON" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"PRIME RATE" is Bank's most recently announced "prime rate," even if it is not Bank's lowest rate.

"RESPONSIBLE OFFICER" is each of the Chief Executive Officer, the President, the Chief Financial Officer and the Controller of Borrower.

"REVOLVING MATURITY DATE" is September 6, 2001.

"SCHEDULE" is any attached schedule of exceptions.

"SUBORDINATED DEBT" is debt incurred by Borrower subordinated to Borrower's indebtedness owed to Bank and which is reflected in a written agreement in a manner and form acceptable to Bank and approved by Bank in writing.

"SUBSIDIARY" is for any Person, or any other business entity of which more than 50% of the voting stock or other equity interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person.

"TANGIBLE NET WORTH" is, on any date, the consolidated total assets of Borrower and its Subsidiaries minus, (i) any amounts attributable to (a) goodwill, (b) intangible items such as unamortized debt discount and expense, Patents, trade and service marks and names, Copyrights and research and development expenses except prepaid expenses, and (c) reserves not already deducted from assets, and (ii) Total Liabilities.

"TOTAL LIABILITIES" is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower's consolidated balance sheet, including all Indebtedness, and current portion Subordinated Debt allowed to be paid, but excluding all other Subordinated Debt.

BORROWER:

Sonus Pharmaceuticals, Inc.

By: /s/ Richard J. Klein

Title: Chief Financial Officer

BANK:

SILICON VALLEY BANK

By: /s/ John T. Flemming

Title: Vice President

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following:

All goods and equipment now owned or hereafter acquired, including, without limitation, all machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located;

All inventory, now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above;

All contract rights and general intangibles now owned or hereafter acquired, including, without limitation, goodwill, trademarks, servicemarks, trade styles, trade names, patents, patent applications, leases, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payments of insurance and rights to payment of any kind;

All now existing and hereafter arising accounts, contract rights, royalties, license rights and all other forms of obligations owing to Borrower arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower;

All documents, cash, deposit accounts, securities, securities entitlements, securities accounts, investment property, financial assets, letters of credit, certificates of deposit, instruments and chattel paper now owned or hereafter acquired and Borrower's Books relating to the foregoing;

All copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; all trade secret rights, including all rights to unpatented inventions, know-how, operating manuals, license rights and agreements and confidential information, now owned or hereafter acquired; all mask work or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired; all claims for damages by way of any past, present and future infringement of any of the foregoing; and

All Borrower's Books relating to the foregoing and any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof.

Notwithstanding the foregoing, the Collateral shall not be deemed to include any copyrights, copyright applications, copyright registration and like protection in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; any patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, trademarks, servicemarks and applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized by such trademarks, any trade secret rights, including any rights to unpatented inventions, know-how, operating manuals, license rights and agreements and confidential information, now owned or hereafter acquired; or any claims for damage by way of any past, present and future infringement of any of the foregoing (collectively, the "Intellectual Property"), except that the Collateral shall include the proceeds of all the Intellectual Property that are accounts, (i.e. accounts receivable) of Borrower, or general intangibles consisting of rights to payment, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in such accounts and general intangibles of Borrower that are proceeds of the

Intellectual Property, then the Collateral shall automatically, and effective as of the Closing Date, include the Intellectual Property to the extent necessary to permit perfection of Bank's security interest in such accounts and general intangibles of Borrower that are proceeds of the Intellectual Property.)

Borrower and Bank are parties to that certain Negative Pledge Agreement, whereby Borrower, in connection with Bank's loan or loans to Borrower, has agreed, among other things, not to sell, transfer, assign, mortgage, pledge, lease grant a security interest in, or encumber any of its Intellectual Property, excluding the sale of licenses in the ordinary course of business, without Bank's prior written consent.

EXHIBIT 10.44

October 25, 2000

Richard J. Klein
c/o SONUS Pharmaceuticals, Inc.
22026 20th Avenue S.E.
Bothell, Washington 98021

Re: Change In Control Agreement

Dear Rick:

In consideration of your continued employment with SONUS Pharmaceuticals, Inc., a Delaware corporation (the "Company"), this letter agreement (the "Agreement") sets forth the compensation and benefits you will be entitled to receive in the event your employment terminates in connection with a change in control of the Company under the conditions described below. This Agreement takes effect on the date set forth above.

1. TERMINATION OF EMPLOYMENT.

1.1. During the term of this Agreement, you will be entitled to the benefits provided in Section 2 of this Agreement in the event (A) a Change in Control has occurred; and (B) (i) you terminate your employment with the Company for Good Reason within 12 months following the Change of Control, or (ii) the Company terminates your employment for reasons other than Cause, Disability, or your death within 12 months following the Change of Control, provided you fulfill your obligations under this Agreement.

1.2 For purposes of this Agreement, the term "Change in Control" shall mean (i) a sale of fifty percent (50%) or more of the outstanding shares of common stock of the Company; (ii) a sale of all or substantially all of the assets of the Company, or (iii) a merger, consolidation or reorganization whereby the stockholders of the Company immediately prior to the consummation of such merger, consolidation or reorganization own less than fifty percent (50%) of the outstanding shares of common stock immediately following the consummation of the merger, consolidation or reorganization.

1.3. For purposes of this Agreement, the term "Good Reason" shall mean any of the following, if done without your consent:

1.3.1. A substantial diminution in your duties and responsibilities to a level substantially beneath that of your duties and responsibilities at the outset of your employment under this Agreement other than actions that are not taken in bad faith and are remedied by the Company within thirty days after written notice by you;

1.3.2. A reduction by the Company in your current annual base salary unless such reduction is attributable to an across the board salary reduction for all of management personnel of the Company and then only if the percentage of your reduction is (i) not greater than 20%, and (ii) no greater than that of the other management personnel;

1.3.3. The Company requires the relocation of your base of employment outside the Seattle, Washington metropolitan area;

1.3.4. A material breach by the Company of any of the terms and provisions of this Agreement, which is not cured within 30 days of written notice by you of such breach; or

1.3.5. The failure of the Company to obtain a satisfactory agreement from any successor in a Change of Control to assume and agree to perform this Agreement, as contemplated in Section 6 hereof.

1.4 For purposes of this Agreement, the term "Cause" shall mean any of the following: (i) your willful and continued failure or refusal to perform your duties with the Company; (b) your willfully engaging in gross misconduct injurious to the Company; (c) your being convicted or pleading guilty or nolo contendere to any misdemeanor involving moral turpitude or to any felony; (d) your having materially breached any provision of this Agreement, or any agreement concerning confidentiality or ownership of inventions with the Company and failed to cure such breach to the reasonable satisfaction of the Company promptly after receiving written notice of breach if such cure is possible.

1.5. For purposes of this Agreement, the term "Disability" shall mean your inability to perform the essential functions of your position due to any physical or mental illness even with reasonable accommodation to the extent

required by law, for any period of six months in the aggregate during any twelve months, provided the Company has given you a written demand to return to your fill time duties.

1.6 Any termination of employment by you or by the Company pursuant to this Agreement shall be communicated by written Notice of Termination indicating the termination provision in this Agreement relied upon, if any. For purposes of this Agreement, the "Date of Termination" shall mean the date specified in the Notice of Termination which shall not be earlier than ten (10) business days after the date on the Notice of Termination is given.

2. COMPENSATION UPON TERMINATION.

2.1. If your employment shall be terminated and you are entitled to benefits under Section 1 of this Agreement then, except as provided in Subsection 2.2, you shall receive the following benefits:

2.1.1. the Company shall pay to you in a lump sum within ten days following the Date of Termination (a) your base salary unpaid through the Date of Termination at the rate in effect as of the time of Notice of Termination and (b) an amount equal to the value as of the Date

of Termination of the deferred portion of any bonus which has been declared but is unpaid under any incentive compensation plan or program of the Company then in effect;

2.1.2. the Company shall pay to you as severance pay in a lump sum within thirty days following the Date of Termination an amount equal to your highest annual base salary in effect any time during the twelve (12) month period prior to the Date of Termination; and

2.1.3. the Company shall maintain in full force and effect, for the continued benefit of you for one year after the Date of Termination, or, if sooner, until you are employed in a full-time capacity by another employer, all non-cash health and welfare plans and programs (excluding 401(k) or any employee bonus plans and programs or retirement plans or programs) in which you participated immediately prior to the Date of Termination provided that your continued participation is permissible under the general terms and provisions of such plans and programs. In the event that your participation in any such plan or program is barred, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans and programs at no cost to you. At the end of the period of coverage, you shall have the option to have assigned to you at no cost and with no apportionment of prepaid premiums, any assignable insurance policy owned by the Company and relating to specifically to you.

2.2. Notwithstanding Section 1, the respective obligations of, and benefits afforded to, the Company and you as provided in this Section 2, shall survive termination of this Agreement.

2.3. No compensation or benefits shall be due under this Agreement in the event your employment is terminated by you or the Company in circumstances other than those described in Section 1.1, including but not limited to a termination by you for any reason other than Good Reason, a termination by the Company for Cause, disability, or death, or any termination that does not occur within twelve months following a Change in Control.

2.4. To the extent that any or all of the payments and benefits provided for in this Agreement constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code (the "Code") and, but for this Section 2.4 would be subject to the excise tax imposed by Section 4999 of the Code, the aggregate amount of such payments and benefits shall be reduced such that the present value thereof (as determined under the Code and applicable regulations) is equal to 2.99 times the Executive's "base amount" (as defined in the Code). The determination of any reduction of any payment or benefits under Section 2 pursuant to the foregoing provision shall be made by a nationally recognized public accounting firm chosen by the Company in good faith, and such determination shall be conclusive and binding on the Company and you.

3. OTHER BENEFITS.

In the event you are entitled to any compensation or benefits under this Agreement, you shall not be entitled to any other severance compensation or benefits under any other policy or agreement with the Company.

4. PROPRIETARY INFORMATION AND UNFAIR COMPETITION.

4.1 You acknowledge that in the course of your employment with the Company, you will be entrusted with access to extensive confidential information of the Company concerning its products and service, methods of manufacture, research and development, know-how, patents, copyrights, trademarks, and other proprietary data, as well as the identity, needs, and preferences of its customers and prospects, all of which the Company considers its legally protected trade secrets and intellectual property. You further acknowledge the highly competitive nature of the business of the Company, and the fact that unauthorized disclosure or use of such trade secrets and intellectual property would be inevitable if you were to compete with the Company or solicit competing business from its prospects and customers. You therefore agree as follows:

4.2 Commencing on the Date of Termination, and ending one year thereafter (the "Non-Compete Period"), you will not provide goods or services to or become an employee, owner (except for passive investments of not more than three percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, agent, consultant, advisor or director of any firm or person in any geographic area which competes in the "Business". For purposes of this Agreement, the term "Business" shall mean the research, design, development, manufacture, sale or distribution of (i) ultrasound contrast agents, (ii) drug delivery products using Vitamin E technology, or (iii) blood substitute products using flurocarbon technology.

4.3 During the Non-Compete Period, you will not directly or indirectly induce any employee of the Company or any of its affiliates to engage in any activity in which you are prohibited from engaging by paragraph 5.1 above, or to terminate such employee's employment with the Company, or any of its affiliates, and will not directly or indirectly employ or offer employment to any person who was employed by the Company or any of its affiliates unless such person shall cease to be employed by the Company or any of its affiliates for a period of at least 12 months; provided, however, that this provision shall not apply to any person who is no longer an employee of the Company or any of its affiliates as of a result of actions taken by the Company or its affiliates.

4.4 During the Non-Compete Period, you will refrain from making any statement which has the effect of demeaning the name or the business reputation of the Company or its subsidiaries or affiliates, or any officer or employee thereof, or which materially adversely effects the best interests (economic or otherwise) of the Company, its subsidiaries or affiliates.

4.5. It is expressly understood and agreed that although you and the Company consider the restrictions contained in this Section 5 to be reasonable, if a final judicial

determination is made by a court of jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against you, provisions of this Agreement shall not be rendered void, but shall be deemed amended to apply to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not effect the enforceability of any of the other restriction contained herein.

5. MISCELLANEOUS.

Any payment required under this Agreement shall be subject to all requirements of the law with regard to withholding, filing, making of reports and the like, and the Company shall use its commercially reasonable best efforts to satisfy promptly all such requirements. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by both parties. The validity, interpretation, construction and performance of this Agreement shall be governed by the law of the State of Delaware.

6. SUCCESSORS AND ASSIGNMENT.

This agreement and all of your rights thereunder shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. Except as expressly provided in this Agreement, this Agreement is personal to you and may not be assigned to you. If you should die while any amounts would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate. This Agreement shall be binding upon any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company.

7. TERM OF AGREEMENT.

This Agreement shall commence as of the date of this Agreement and shall terminate on the earliest of (i) three (3) years from the date of this Agreement, (ii) the termination of your employment by the Company for Cause, Disability or death; (iii) your termination of employment other than for Good Reason or (iv) your reaching age 65.

8. NO GUARANTEE OF CONTINUED EMPLOYMENT.

This Agreement is intended solely to provide you with certain compensation and benefits in the event your employment terminates in the circumstances described in Section 1.1. Nothing in this Agreement constitutes or implies any specific term of employment. You acknowledge and agree that your employment with the Company can be terminated by you or the Company at any time with or without cause or prior warning. Nothing in this Agreement limits or supercedes any other agreements between you and the Company concerning confidentiality or ownership of intellectual property.

9. MEDIATION.

In the event that the Company terminates you for Cause and you dispute its right to do so or you claim that your are entitled to terminate your employment for Good Reason and the Company disputes your right to do so, a mediator acceptable to you and the Company will be appointed within ten (10) days to assist in reaching a mutually satisfactory resolution but will have no authority to issue a binding decision. Such mediation must be concluded within 60 days of the date of termination or claim to termination. Should such mediation fail to reach an acceptable conclusion and you are successful in any litigation or settlement that issues from such dispute, you shall be entitled to receive from the Company all of the expenses incurred by you in connection with any such dispute including reasonable attorney's fees.

If this Agreement is acceptable to you, kindly sign and return to the Company the enclosed copy of this letter.

Sincerely,

SONUS Pharmaceuticals, Inc.

By: /s/ Michael A. Martino

AGREED AND ACCEPTED:

/s/ Richard J. Klein
- ---
Richard J. Klein

Dated: October 25, 2000

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