

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, 1998

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 (I.R.S. Employer Identification Number)
Incorporation or Organization)

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.

<TABLE>
<CAPTION>

Class	Outstanding at October 31, 1998
-----	-----
<S> Common Stock, \$.001 par value	<C> 8,629,742

</TABLE>

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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

<TABLE>

<CAPTION>

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
	-----	-----
	(UNAUDITED)	
	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,625,401	\$ 5,253,227
Marketable securities	13,690,045	21,317,835
Other current assets	331,111	639,970
	-----	-----
Total current assets	20,646,557	27,211,032
Equipment, furniture and leasehold improvements, net of accumulated depreciation of \$2,353,724 and \$1,738,269	1,520,086	1,734,737
	-----	-----
Total assets	\$ 22,166,643	\$ 28,945,769
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank line of credit	\$ 5,000,000	\$ 5,000,000
Accounts payable and accrued expenses	3,166,355	2,612,065
Accrued clinical trial expenses	1,615,837	1,743,208
Current portion of capital lease obligations	85,184	146,762
	-----	-----
Total current liabilities	9,867,376	9,502,035
Long-term debt	2,019,741	845,939
Capital lease obligations, less current portion	31,013	93,178
Commitments		
Stockholders' equity:		
Preferred stock; \$.001 par value; 5,000,000 authorized; no shares issued or outstanding	--	--
Common stock; \$.001 par value; 20,000,000 shares authorized; 8,629,607 and 8,611,376 shares issued and outstanding in 1998 and 1997, respectively	34,995,061	34,860,237
Accumulated deficit	(24,742,381)	(16,338,949)
Deferred compensation	(4,167)	(16,671)
	-----	-----
Total stockholders' equity	10,248,513	18,504,617
	-----	-----
Total liabilities and stockholders' equity	\$ 22,166,643	\$ 28,945,769
	=====	=====

</TABLE>

See accompanying notes.

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SONUS PHARMACEUTICALS, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>

<CAPTION>

30, ----- 1997 ----- <S> Revenues:	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER	
	1998	1997	1998	-----
Collaborative agreements	\$ 2,700,000	\$ 4,700,000	\$ 5,100,000	\$
14,500,000				
Operating expenses:				
Research and development	2,988,347	3,921,921	8,709,665	
9,415,246				
General and administrative	1,922,184	2,162,093	5,401,714	
4,976,441				
Total operating expenses	4,910,531	6,084,014	14,111,379	
14,391,687				
Operating income (loss)	(2,210,531)	(1,384,014)	(9,011,379)	
108,313				
Other income (expense):				
Interest income	231,118	294,550	776,706	
815,551				
Interest expense	(69,235)	(32,712)	(178,803)	
(94,260)				
Income (loss) before income taxes ..	(2,048,648)	(1,122,176)	(8,413,476)	
829,604				
Income taxes	--	--	--	
190,000				
Net income (loss)	\$ (2,048,648)	\$ (1,122,176)	\$ (8,413,476)	\$
639,604				
===== Net income (loss) per share:				
Basic	\$ (0.24)	\$ (0.13)	\$ (0.98)	\$
0.07				
Diluted	\$ (0.24)	\$ (0.13)	\$ (0.98)	\$
0.07				
Shares used in computation of net income (loss) per share:				
Basic	8,626,253	8,573,029	8,619,125	
8,553,321				
Diluted	8,626,253	8,573,029	8,619,125	
9,557,171				

See accompanying notes.

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

<TABLE>
<CAPTION>

<S>	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997
OPERATING ACTIVITIES:		
Net income (loss)	\$ (8,413,476)	\$ 639,604
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	627,959	443,367

Amortization of discount on marketable securities	(123)	(35,058)
Realized (gain) loss on marketable securities	(7,881)	28,154
Changes in operating assets and liabilities:		
Other current assets	308,859	96,226
Accounts payable and accrued expenses	554,290	755,828
Accrued clinical trial expenses	(127,371)	403,033
Deferred revenue	--	(1,000,000)
	-----	-----
Net cash provided by (used in) operating activities	(7,057,743)	1,331,154
INVESTING ACTIVITIES:		
Purchases of equipment, furniture and leasehold improvements	(400,803)	(865,499)
Purchases of marketable securities	(23,419,722)	(27,731,702)
Proceeds from sale of marketable securities	17,772,969	15,797,079
Proceeds from maturities of marketable securities	13,292,590	11,243,205
	-----	-----
Net cash provided by (used in) investing activities	7,245,034	(1,556,917)
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)
Proceeds from long-term debt	1,173,802	--
Repayment of capitalized lease obligations	(123,743)	(146,490)
Proceeds from issuance of common stock and warrants	134,824	389,989
	-----	-----
Net cash provided by financing activities	1,184,883	243,499
	-----	-----
Change in cash and cash equivalents for the period	1,372,174	17,736
Cash and cash equivalents at beginning of period	5,253,227	7,236,615
	-----	-----
Cash and cash equivalents at end of period	\$ 6,625,401	\$ 7,254,351
	=====	=====
Supplemental cash flow information:		
Interest paid	\$ 55,105	\$ 87,928
Income taxes paid	\$ 7,500	\$ 105,272

</TABLE>

See accompanying notes.

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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, 1997 and filed with the SEC on March 31, 1998.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In 1997, SONUS (the "Company") adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share ("EPS")" (SFAS 128). In accordance with this statement, the Company has presented both basic and diluted EPS. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS is based on the weighted average number of common shares and dilutive potential common shares. Dilutive potential common shares are calculated under the treasury stock method and consist of unexercised stock options and warrants. Amounts previously reported have been restated to conform to the provisions of SFAS 128.

During 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 requires unrealized gains or losses on the Company's available-for-sale securities, which are currently reported in shareholders' equity, to be included in other comprehensive income. SFAS 130 is effective for

financial statements for fiscal years beginning after December 15, 1997 and all interim periods thereafter. The total of other comprehensive income for the periods ended September 30, 1998 and 1997 is immaterial.

During 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 is effective for financial statements for fiscal years beginning after December 15, 1997. The adoption of SFAS No. 131 is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

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

OVERVIEW

SONUS (the "Company") is primarily engaged in the research, development and commercialization of proprietary contrast agents for use in ultrasound imaging and of proprietary drug delivery systems. The Company has financed its research and development and clinical trials through payments received under agreements with its collaborative partners, private equity and debt financings, and an initial public offering ("IPO") completed in October 1995. Clinical trials of the Company's principal product under development, EchoGen(R) (perflenenapent injectable emulsion), began in January 1994. In 1996, the Company filed a New Drug Application ("NDA") with the U.S. Food and Drug Administration ("FDA") for EchoGen as well as a Marketing Authorization Application ("MAA") with the European Medicines Evaluation Agency ("EMEA").

In February 1998, the Company received an action letter from the FDA which indicated that the review of the EchoGen NDA was completed and the application was considered inadequate for approval, citing certain deficiencies in the application. In August 1998, the Company submitted to the FDA an amendment of the NDA to address the deficiencies related to the echocardiography indications. In October 1998, the Company submitted additional information requested by the FDA relative to the echocardiography indication and the Company has received notice from the FDA that the amendment filing was considered complete as of October 19, 1998. Under the Food and Drug Administration Modernization Act, the FDA has up to 180 days to review the amendment. Once the FDA review is complete, the Company expects that the agency will issue another action letter. The Company has not yet responded to issues raised in the February 1998 letter relating to radiology indications but expects to submit additional clinical data supportive of radiology indications at a later date.

In March 1998, the EMEA's Committee for Proprietary Medicinal Products ("CPMP") issued a positive opinion on EchoGen for use as a transpulmonary echocardiographic contrast agent in patients with suspected or established cardiovascular disease who have had previous inconclusive non-contrast studies. On July 20, 1998, the EMEA ratified the CPMP recommendation and granted a marketing authorization for EchoGen in the 15 countries of the European Union ("E.U."). The Company and its marketing partner, Abbott Laboratories ("Abbott"), are preparing for the commercialization of EchoGen in the E.U. after necessary pricing approvals, reimbursement and manufacturing activities are completed.

In May 1996, the Company formed a strategic alliance with Abbott for marketing and selling of ultrasound contrast agents, including EchoGen, in the U.S. Under the agreement, Abbott agreed to make certain payments to the Company, primarily conditioned upon the achievement of milestones, of which \$23.0 million has been paid as of September 30, 1998. In addition, Abbott purchased in May 1996, for \$4.0 million, warrants to acquire 500,000 shares of common stock of the Company. The warrants are exercisable over five years at \$16.00 per share. In October 1996, the Company and Abbott entered into an agreement expanding Abbott's territory to include Europe, Latin America, Canada, Middle East, Africa and certain Asia/Pacific countries. Under the October 1996 agreement, Abbott has agreed to pay the Company certain additional license and milestone payments, a portion of which will be credited against future royalties once EchoGen is approved for commercial sale. As of September 30, 1998, \$12.6 million has been paid to the Company by Abbott under the October 1996 agreement of which \$5.6 million is creditable against future royalties.

The Company has granted Daiichi Pharmaceutical Co., Ltd. ("Daiichi"), exclusive marketing and distribution rights to EchoGen in Japan and in certain other countries in the Pacific Rim. As of September 30, 1998, Daiichi has paid the Company option, license and milestone fees totaling \$12.8 million. Under its agreement with the Company, Daiichi has the responsibility to perform clinical studies of EchoGen. Daiichi completed Phase 1 clinical studies in Japan during 1997. Significant additional clinical studies will be required on EchoGen for the product to be submitted for regulatory approval in Japan. To date Daiichi has not initiated Phase 2 studies in Japan and there can be no assurance that such studies will be timely commenced, or commenced at all.

The Company's results of operations have varied and will continue to vary significantly from quarter to quarter and depend on, among other factors, the timing of milestone payments made by collaborative partners, the timing of

regulatory approvals, the entering into additional product license agreements by the Company, and the timing and costs of the clinical trials conducted by the Company. The Company's current collaborative partners can terminate their

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agreements on short notice, and there can be no assurance that the Company will receive any additional funding or milestone payments.

RESULTS OF OPERATIONS

To date, the Company's reported revenues have been derived from payments received under collaborative agreements with third parties. Revenue received under collaborative agreements was \$2.7 million for the third quarter of 1998 compared with \$4.7 million for the same period of the prior year. For the nine months ended September 30, 1998, payments received under collaborative agreements were \$5.1 million compared to \$14.5 million for the nine months ended September 30, 1997. All revenue during these periods represent payments under the Company's strategic alliance agreements with Abbott.

Research and development expenses were \$3.0 million for the third quarter of 1998 compared with \$3.9 million in the prior year. The decrease was primarily due to a reduction in clinical trial activity when compared to the prior period offset in part by a higher level of activity supporting the regulatory approval process. For the first nine months, research and development costs were \$8.7 million compared to \$9.4 million for the same period of the prior year. The decrease for the nine month period was primarily due to a reduction in clinical trial activity offset in part by the higher level of activity supporting the regulatory approval process. In addition, the Company received \$2.4 million from Abbott in the first nine months of 1998 for reimbursement of certain clinical costs related to prostate and stress echocardiography indications for EchoGen. Pursuant to the funding agreement with Abbott, 50% or \$1.2 million will be repaid with interest in five years. Accordingly, \$1.2 million has been reported as a long-term liability with the remaining \$1.2 million reported as an offset to research and development expenses.

General and administrative expenses were \$1.9 million for the third quarter of 1998 compared with \$2.2 million in the prior year. The decrease was primarily due to a reduction in marketing programs due to the delay in U.S. regulatory approval of EchoGen, offset in part by increases in legal costs - see "Legal Proceedings". For the first nine months of 1998, general and administrative costs were \$5.4 million compared to \$5.0 million for the same period of the prior year. The increase for the nine month period was primarily a result of the costs of filing, prosecuting and protecting patents, offset in part by a reduction in marketing programs.

Revenues in future quarters will be primarily dependent upon the timing of certain regulatory and commercialization milestones and associated payments under collaborative agreements. In addition, total operating expenses may increase in future quarters due to ongoing and planned clinical trials to study additional indications for EchoGen and future products and due to higher marketing and administrative expenses as the Company continues to prepare for commercialization of EchoGen. The Company may also incur significant expenses relating to legal matters - see "Legal Proceedings."

Interest income, net of interest expense, was \$162,000 and \$598,000 for the third quarter and first nine months of 1998, respectively, compared to \$262,000 and \$721,000 for the same periods of the prior year. The decrease was primarily due to the lower levels of invested cash during these periods and the interest expense on amounts payable to Abbott for clinical development funding.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations with payments from collaborative agreements, proceeds from equity financings and a bank line of credit. At September 30, 1998, the Company had cash, cash equivalents and marketable securities of \$20.3 million, compared to \$26.6 million at December 31, 1997. The decrease was primarily due to the \$8.4 million net loss reported in the first nine months of 1998, offset in part by \$1.2 million of clinical development funding by Abbott which, under the agreements with Abbott, will be repaid with interest in five years in stock or cash.

The Company has 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% per annum. At September 30, 1998 there was \$5.0 million outstanding under the line of credit. The line of credit was renewed in August 1998, expires August 31, 1999 and is secured by the tangible assets of the Company. The Company is required to maintain certain minimum balances of cash and marketable

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securities in order to borrow under the line of credit. There can be no assurance that the Company will be able to maintain the minimum balances

necessary to borrow under the line.

The Company expects that its cash needs will increase significantly in future periods due to pending and planned clinical trials and higher administrative and marketing expenses as the Company prepares for commercialization of EchoGen. The Company estimates that existing cash and marketable securities will be sufficient to meet operating requirements through early 1999. The Company's future capital requirements will, however, depend on many factors, including the ability of the Company to obtain and retain continued funding from third parties under collaborative agreements, the ability to maintain the Company's bank line of credit, the time and costs required to gain regulatory approvals, the progress of the Company's research and development programs, clinical trials, the costs of filing, prosecuting and enforcing patents, patent applications, patent claims and trademarks, the costs of marketing and distribution, the status of competing products, and the market acceptance and third-party reimbursement of the Company's products, if and when approved. The Company believes it is likely that it will require substantial working capital during 1999 and the Company intends to seek additional funding through available means, which may include debt or equity financing or the licensing or sale of proprietary or marketing rights. If regulatory approvals are delayed, or funding under existing or future collaborative agreements is delayed or reduced, the Company's requirement for additional working capital would be accelerated. There can be no assurance that additional financing will be available on acceptable terms, if at all. Any equity financing would likely result in substantial dilution to existing stockholders. If the Company is unable to raise additional financing, the Company would be required to curtail or delay the development of its products.

YEAR 2000 COMPLIANCE

During 1997 the Company completed a comprehensive review of software applications used in critical business processes. The Company has determined that all of its critical internal business systems are Year 2000 compliant. There is no guarantee that the systems of the Company's collaborative partners or significant vendors will be Year 2000 compliant. The Company is currently investigating the Year 2000 compliance of collaborative partners and significant vendors in order to develop contingency plans should these parties not be Year 2000 compliant. If the Company's collaborative partners or significant vendors are not Year 2000 compliant, this could have an adverse effect on the ability of collaborative partners or vendors to satisfy their obligations to the Company or for the Company to electronically communicate with such parties.

FORWARD-LOOKING STATEMENTS

This Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Company intends that such forward-looking statements be subject to the safe harbors created thereby. Examples of these forward-looking statements include, but are not limited to, (i) the progress and results of clinical trials, (ii) the submission of applications for and the timing or likelihood of marketing approvals, (iii) the Company's anticipated future capital requirements and the terms of any capital financing, (iv) the anticipated outcome or financial impact of litigation; and (v) the timing and amount of future milestone payments, product revenues and expenses. While these statements made by the Company are based on management's current beliefs and judgment, they are subject to risks and uncertainties that could cause actual results to vary.

In evaluating such statements, stockholders and investors should specifically consider a number of factors and assumptions, including those discussed in the text and the financial statements and their accompanying footnotes in this Report and the risk factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. As discussed in the Company's annual report on Form 10-K for the year ended December 31, 1997, actual results could differ materially from those projected in the forward-looking statements as a result of the following factors, among others: uncertainty of governmental regulatory requirements; future capital requirements and uncertainty of additional funding; uncertainty of market acceptance; dependence on third parties for funding, clinical development and distribution; unproven safety and efficacy; uncertainty of clinical trials; history of operating losses; uncertainty of future financial results; dependence on patents and proprietary rights; competition and risk of technological obsolescence; limited manufacturing experience; dependence on limited contract manufacturers and suppliers; lack of marketing and sales experience; and limitations on third-party reimbursement.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 7, 1998, the Company announced that it had filed a patent infringement action in the U.S. District Court in Seattle, Washington, against Molecular Biosystems Inc. ("MBI") and Mallinckrodt, Inc. The suit alleges that

one of MBI's ultrasound contrast agents infringes one or more of the Company's patents. MBI has filed counterclaims alleging that the patents asserted by the Company are invalid and not infringed, and that the Company has made false public statements and engaged in other actions intended to damage MBI and one of its ultrasound contrast agents. The Company does not believe there is any merit to these counterclaims and intends to defend its position vigorously. A trial date has been set for this lawsuit in August 1999. In October 1998, the court granted the Company's motion to stay the litigation until the U.S. Patent and Trademark Office ("PTO") has completed its re-examination of the patents in this lawsuit (see below).

The re-examination of the patents was initiated by the PTO in July 1997 based on petition filed by MBI. The outcome of these re-examination proceedings may have a significant impact on the above-identified patent infringement action. Although the PTO has issued final rejections of the claims in the SONUS patents at issue, the Company has responded to these rejections and is awaiting a further PTO decision. The PTO may decide that the responses overcome the rejections, or the PTO may maintain its rejections. The Company has the right to appeal the rejections if they are maintained.

In August 1998, the Company announced that it had received notice of alleged class action complaints filed in the Superior Court of Washington and in the U.S. District Court for the Western District of Washington against the Company and certain of its officers and directors, alleging violations of the Washington State Securities Act, the Washington Consumer Protection Act and the U.S. Securities Exchange Act of 1934. The Company has moved to dismiss and stay the State court action and expects to move to dismiss the federal actions once lead plaintiffs are appointed and a consolidated complaint is filed. The Company does not believe there is any merit to the claims in these actions and intends to defend its position vigorously.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

<TABLE>
<CAPTION>

Number	Description
-----	-----
<S>	<C>
10.30	Change in Control Agreement for Steven C. Quay, M.D., Ph.D.
10.31	Change in Control Agreement for Michael A. Martino
10.32	Change in Control Agreement for Gregory Sessler
11.1	Computation of net income (loss) per share

</TABLE>

(b) REPORTS ON FORM 8-K

The Company filed no reports on Form 8-K during the quarter ended September 30, 1998.

ITEMS 2, 3, 4 AND 5 ARE NOT APPLICABLE AND HAVE BEEN OMITTED.

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SIGNATURES

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

SONUS PHARMACEUTICALS, INC.

Date: November 10, 1998

By: /s/ Gregory Sessler

Gregory Sessler
Chief Financial Officer and
Assistant Secretary (Principal
Financial and Accounting Officer)

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September 15, 1998

Steven C. Quay, M.D., Ph.D.
President and Chief Executive Officer
c/o SONUS Pharmaceuticals, Inc.
22026 20th Avenue
Bothell, Washington 98021

Re: Change In Control Agreement

Dear Steve:

In consideration of your 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 you commence employment with the Company.

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 in percentage 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 full 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 and the expiration of any time period given to cure a breach as provided in Section 1.4(d) of this Agreement.

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 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 the product of (a) the sum of your highest annual base salary in effect any time during the twelve (12) month period prior to the Date of Termination, multiplied by 2.99; and

2.1.3. the Company shall maintain in full force and effect, for the continued benefit of you for three years 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.

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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 that in the event of a termination following a Change of Control as described in this Agreement, the following provisions shall apply:

4.2. Commencing on the Date of Termination, and ending two years 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 ultrasound contrast agents.

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 affects 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

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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, as provided in your written offer of employment dated September 15, 1998. Nothing in this Agreement limits or supersedes 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 you 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.

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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/ Gregory Sessler

AGREED AND ACCEPTED:

/s/ Steven C. Quay, M.D., Ph.D.

Steven C. Quay, M.D., Ph.D.

Dated: September 16, 1998

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September 15, 1998

Mr. Michael Martino
c/o SONUS Pharmaceuticals, Inc.
22026 20th Avenue
Bothell, Washington 98021

Re: Change In Control Agreement

Dear Michael:

In consideration of your 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 you commence employment with the Company.

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 in percentage 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 full 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 and the expiration of any time period given to cure a breach as provided in Section 1.4(d) of this Agreement.

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 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 the product of (a) the sum of your highest annual base salary in effect any time during the twelve (12) month period prior to the Date of Termination, multiplied by 2.99; and

2.1.3. the Company shall maintain in full force and effect, for the continued benefit of you for three years 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.

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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 that in the event of a termination following a Change of Control as described in this Agreement, the following provisions shall apply:

4.2. Commencing on the Date of Termination, and ending two years 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 ultrasound contrast agents.

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 4.1 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.

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4.5. It is expressly understood and agreed that although you and the Company consider the restrictions contained in this Section 4 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, as provided in your written offer of employment dated September 15, 1998. Nothing in this Agreement limits or supersedes 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 you 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

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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/ Steven C. Quay, M.D., Ph.D.

AGREED AND ACCEPTED:

/s/ Michael Martino

Michael Martino

Dated: September 16, 1998

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September 15, 1998

Mr. Greg Sessler
Vice President and Chief Financial Officer
c/o SONUS Pharmaceuticals, Inc.
22026 20th Avenue, Suite 201
Bothell, Washington 98021

Re: Change In Control Agreement

Dear Greg:

In consideration of your 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 you commence employment with the Company.

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 in percentage 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 full 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 and the expiration of any time period given to cure a breach as provided in Section 1.4(d) of this Agreement.

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 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 the product of (a) the sum of your highest annual base salary in effect any time during the twelve (12) month period prior to the Date of Termination, multiplied by 2.99; and

2.1.3. the Company shall maintain in full force and effect, for the continued benefit of you for three years 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.

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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 that in the event of a termination following a Change of Control as described in this Agreement, the following provisions shall apply:

4.2. Commencing on the Date of Termination, and ending two years 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 ultrasound contrast agents.

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

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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, as provided in your written offer of employment dated September 15, 1998. Nothing in this Agreement limits or supersedes 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 you 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.

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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/ Steven C. Quay, M.D., Ph.D.

AGREED AND ACCEPTED:

/s/ Gregory Sessler

Gregory Sessler

Dated: September 16, 1998

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EXHIBIT 11.1

SONUS PHARMACEUTICALS, INC.
COMPUTATION OF NET INCOME (LOSS) PER SHARE

<TABLE>
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ENDED	THREE MONTHS ENDED		NINE MONTHS	
	SEPTEMBER 30,		SEPTEMBER 30,	
	1998	1997	1998	
1997				
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BASIC EARNINGS PER SHARE:				
Net income (loss)	\$ (2,048,648)	\$ (1,122,176)	\$ (8,413,476)	\$
639,604				
Weighted average common shares	8,626,253	8,573,029	8,619,125	
8,553,321				
Basic earnings per share	\$ (0.24)	\$ (0.13)	\$ (0.98)	\$
0.07				
DILUTED EARNINGS PER SHARE:				
Net income (loss)	\$ (2,048,648)	\$ (1,122,176)	\$ (8,413,476)	\$
639,604				
Weighted average common shares - basic ..	8,626,253	8,753,029	8,619,125	
8,553,321				
Dilutive potential common shares	--	--	--	
1,003,850				
Total	8,626,253	8,573,029	8,619,125	
9,557,171				
Diluted earnings per share	\$ (0.24)	\$ (0.13)	\$ (0.98)	\$
0.07				

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