SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File Number 0-26866

SONUS PHARMACEUTICALS, INC.
(Exact name of the registrant as specified in its charter)

22026 20TH AVENUE SE, BOTHELL, WASHINGTON 98021
(Address of principal executive offices)

(425) 487-9500
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
Not Applicable

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, par value $0.001 per share

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of February 1, 2001, the aggregate market value of the registrant's Common Stock held by non-affiliates of the Registrant was $13,152,388 based on the closing sales price of $1.625 per share of the Common Stock as of such date, as reported by The Nasdaq National Market. As of February 1, 2001, 9,603,520 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed in connection with the solicitation of proxies for its 2001 Annual Meeting of Stockholders to be held April 25, 2001 are incorporated by reference in Items 10, 11, 12, and 13 of Part III hereof.

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PART I

ITEM 1. BUSINESS

OVERVIEW

Our Company is engaged in the research and development of therapeutic drug delivery and oxygen delivery products utilizing our core technology in emulsion formulations and surfactant chemistry. Based on this proprietary core technology, we have developed the TOCOSOL(TM) drug-delivery system to solubilize therapeutic drugs that are poorly soluble in water. We are developing a cancer therapy product and a cardiovascular therapy product using the TOCOSOL technology. We are also developing an oxygen delivery product based on core technology that utilizes stabilized fluorocarbon gas microbubbles to more efficiently transport oxygen to body tissues. See "Products Under Development" section below for further discussion of our current products.

TOCOSOL DRUG DELIVERY TECHNOLOGY PLATFORM

We have developed the TOCOSOL drug delivery technology to solubilize therapeutic drugs that are poorly soluble in water with the goal of developing products that can be administered more easily to the patient, with fewer side effects and equivalent or higher efficacy. The TOCOSOL technology uses tocopherol (vitamin E) and tocopherol-based surfactants. Our strategy for development of the TOCOSOL drug delivery system has three parts:

- To develop proprietary new formulations of currently marketed intravenous drugs that are generic or which are coming off patent protection.

- To collaborate with other pharmaceutical companies to provide them with drug delivery solutions for their new or existing drug substances that have known formulation challenges or need life cycle extensions.

- To license the TOCOSOL technology to other drug delivery companies for development of alternate dosage forms, such as oral, nasal, and topical applications.

PRODUCTS UNDER DEVELOPMENT

S-8184 -- CANCER THERAPY

The first application of our TOCOSOL drug delivery technology is an injectable paclitaxel emulsion formulation, S-8184. Paclitaxel is the active ingredient in a highly successful cancer treatment currently on the market for the treatment of breast, ovarian and non-small cell lung cancer. We filed an Investigational New Drug Application, or IND, with the U.S. Food and Drug Administration in late 2000 and initiated our Phase 1 human clinical study in

December 2000. The Phase 1 study will determine whether the S-8184 paclitaxel emulsion can reduce side effects, reduce or eliminate the need for premedications and be delivered in a single, quick injection in a matter of minutes compared to the hours of infusion with existing formulations of paclitaxel. We expect to complete patient enrollment in the S-8184 Phase 1 study in the second half of 2001.

S-2646 -- CARDIOVASCULAR THERAPY

Consistent with our strategy to apply our TOCOSOL drug delivery technology to intravenous marketed drugs that are generic and/or have patents expiring, S-2646 is a reformulation of an intravenous cardiac drug, amiodarone, that is marketed for the treatment of the life threatening cardiac rhythm disturbances, ventricular fibrillation and unstable ventricular tachycardia. The currently marketed form of the drug has side effects, namely hypotention (low blood pressure) and venous irritation, that may limit the drug's effectiveness when administered in emergency situations in the field. With the TOCOSOL drug delivery system, S-2646 may have lower toxicity than the currently marketed intravenous formulation, which could allow faster administration of the drug. We expect to complete formulation development and pre-clinical studies with S-2646 by the end of 2001.

S-9156 -- OXYGEN DELIVERY

We are also developing an oxygen delivery product, S-9156 for use in therapeutic applications. This product utilizes stabilized microbubbles, formed from our fluorocarbon emulsion technology, for transporting oxygen to the body's tissues. In pre-clinical studies, S-9156 was shown to carry large volumes of oxygen adequate to sustain life at doses that are many times lower than other liquid fluorocarbon products that are currently under development by others. This may present important clinical advantages because many of the side effects associated with administration of large volumes of liquid fluorocarbons could be minimized with S-9156. Potential applications for S-9156 include for use in trauma situations to provide immediate tissue oxygenation when there is no availability or time for typing and cross-matching blood for transfusion or for oxygenation of solid tumors to increase the effectiveness of radiotherapy. We expect to complete pre-clinical studies with S-9156 and file an IND with the U.S. Food and Drug Administration by the end of 2001.

MARKET OVERVIEW

CANCER

According to the American Cancer Society, cancer is the second leading cause of death in the United States and accounts for approximately one in every four deaths. Since 1990, approximately 13 million new cases have been diagnosed and about 5 million lives have been lost to cancer. The National Cancer Institute estimated the total cost of cancer to be $107 billion in 2000. The worldwide cancer drug market was estimated at $16 billion in 1998, representing a 15% growth from 1997. Despite the resources spent on cancer and the many advances that have been made to date, current treatments for many tumors are often inadequate and improved cancer treatment drugs are still needed.

CARDIOVASCULAR

Since 1900, cardiovascular disease has been the number one killer in the U.S. every year but one. Cardiovascular diseases will account for approximately 1 million deaths in the U.S. in 2001, or one of every 2.5 deaths. About 220,000 people a year will die from sudden deaths caused by cardiac arrest. Most of the cardiac arrests that lead to sudden death occur when the electrical impulses in the heart become rapid (ventricular tachycardia) or chaotic (ventricular fibrillation) or both. This irregular rhythm causes the heart to stop beating effectively. Early advanced cardiac life support (ACLS) can result in significantly higher long-term survival rates for witnessed cardiac arrest. A key component of ACLS is the early and fast administration of anti-arrhythmic drugs, particularly intravenous (i.v.) amiodarone. In addition to sudden cardiac arrest situations, i.v. amiodarone is used in the management of certain other

frequently recurring ventricular arrhythmias. The U.S. market for the one current commercial formulation of i.v. amiodarone is estimated at $200 million and growing.

OXYGEN DELIVERY/BLOOD SUBSTITUTES

The opportunity for an oxygen therapeutic product such as S-9156 includes applications where the product can be used as a blood substitute (e.g. in hemorrhagic shock or transfusion applications) and applications where the

product can be used to augment the normal oxygen delivery function of blood where normal oxygen transport is compromised (e.g. hypoxic tumors, carbon monoxide poisoning).

The market for an artificial oxygen carrier is in the early stages of development but can be estimated relative to the number of applicable therapeutic procedures performed. For example, in the U.S., 2.5 million surgical procedures are performed per year requiring a total of 8.2 million units of transfused blood. Worldwide, the total demand is 35 million units per year. If the availability of blood substitutes could reduce the requirement for 10 percent of the transfused units, at a cost of about $150 per unit, the market opportunity would therefore be $350 million per year.

In the area of cancer therapeutics, approximately 600,000 patients receive radiation therapy in the U.S. per year, involving 25-35 treatments per patient for a total of 15-21 million treatments each year. If just 10 percent of radiation treatments were augmented with oxygen diffusion enhancers, such as a perfluorocarbon oxygen carrier, at an average cost of $150 per dose, the market opportunity in the U.S. alone could exceed $300 million.

MANUFACTURING

We currently produce non-GMP batches of our products at our facilities in Bothell, Washington as part of our ongoing research and development. We also utilize an outside FDA-certified institution to manufacture our products under current GMP requirements for our use in preclinical and clinical studies. In the event that we receive FDA approval for one or more of our products, we anticipate that we would either contract with one or more third parties to manufacture our products or invest in the scale-up of our own manufacturing facility.

RESEARCH AND DEVELOPMENT

We currently conduct research and development activities at our facilities. We also engage in certain research, preclinical studies and clinical development efforts at universities and other institutions. Our primary research and development efforts are currently directed at the development and application of S-8184, S-2646 and S-9156.

We incurred expenses of approximately $3.3 million, $5.6 million and $10.5 million on research and development in fiscal 2000, 1999 and 1998, respectively. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of research and development spending trends.

GOVERNMENT REGULATIONS -- DRUG APPROVAL PROCESS

Regulation by governmental authorities in the U.S. and other countries is a significant factor in our ongoing research and development activities and in the production and marketing of our products. In order to undertake clinical tests, to produce and market products for human diagnostic or therapeutic use, mandatory procedures and safety standards established by the FDA in the U.S. and comparable agencies in other countries must be followed.

The standard process required by the FDA before a pharmaceutical agent may be marketed in the U.S. includes the following steps:

(i.) Preclinical studies including laboratory evaluation and animal studies to test for initial safety and efficacy;

(ii.) Submission to the FDA of an Investigational New Drug Application, or IND, which must become effective before human clinical trials may commence;

(iii.) Adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug in its intended application;

(iv.) Submission to the FDA of a New Drug Application, or NDA, which application is not automatically accepted by the FDA for consideration; and

(v.) FDA approval of the NDA prior to any commercial sale or shipment of the drug.

In addition to obtaining FDA approval for each product, each domestic drug-manufacturing establishment must be registered or licensed by the FDA for each product that is manufactured at that facility. U.S. manufacturing establishments are subject to inspections by the FDA and by other Federal, State and local agencies and must comply with Good Manufacturing Practices, or GMP, requirements applicable to the production of pharmaceutical drug products.

Preclinical studies include laboratory evaluation of product chemistry and animal studies to assess the potential safety and efficacy of the product and its formulation. The results of the preclinical studies are submitted to the FDA as part of an IND, and unless the FDA objects, the IND will become effective 30 days following its receipt by the FDA.

Clinical trials involve the administration of the drug to healthy volunteers and/or to patients under the supervision of a qualified principal investigator. Clinical trials are conducted in accordance with protocols that detail the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Each protocol is submitted to the FDA as part of the IND. Each clinical study is approved and monitored by an independent Institutional Review Board or Ethics Committee at each clinical site who will consider, among other things, ethical factors, informed consents, the safety of human subjects and the possible liability of the institution conducting a clinical study.

Clinical trials typically are conducted in three sequential phases, although the phases may overlap. In Phase 1, the initial introduction of the drug to humans, the drug is tested for safety and clinical pharmacology such as metabolism. Phase 2 involves detailed evaluation of safety and efficacy of the drug in patients with the disease or condition being studied. Phase 3 trials consist of larger scale evaluation of safety and efficacy and usually require greater patient numbers and multiple clinical trial sites, depending on the clinical indications for which marketing approval is sought.

The process of completing clinical testing and obtaining FDA approval for a new product is likely to take a number of years and require the expenditure of substantial resources. FDA may grant an

unconditional approval of a drug for a particular indication or may grant approval conditioned on further post-marketing testing. The FDA also may conclude that the submission is not adequate to support an approval and may require further clinical and preclinical testing, re-submission of the NDA, and further review. Even after initial FDA approval has been obtained, further studies may be required to provide additional data on safety or to gain approval for the use of a product for clinical indications other than those for which the product was approved initially. Also, the FDA may require post-marketing testing and surveillance programs to monitor the drug's efficacy and side effects.

Marketing of pharmaceutical products outside of the U.S. are subject to regulatory requirements that vary widely from country to country. In the European Union, the general trend has been towards coordination of the common standards for clinical testing of new drugs. Centralized approval in the European Union is coordinated through the European Medicines Evaluation Agency, or EMEA.

The level of regulation jurisdictions outside of the U.S. varies widely. The time required to obtain regulatory approval from comparable regulatory agencies in each country may be longer or shorter than that required for FDA or EMEA approval. In addition, in certain markets, reimbursement may be subject to governmentally mandated prices.

We are and may be subject to regulations under state and Federal law regarding occupational safety, laboratory practices, handling of chemicals, environmental protection and hazardous substance control. We also will be subject to other present and possible future local, state, federal and other jurisdiction regulations.

COMPETITION

The health care industry is characterized by extensive research efforts and rapid technological change. We believe that other pharmaceutical companies will compete with us in areas of research and development, acquisition of products and technology licenses, and the manufacturing and marketing of products that could potentially compete with ours. We expect that competition will be based primarily on safety, efficacy, ease of administration, breadth of approved indications, reimbursement, and physician 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 products. Accordingly, these competitors may succeed in obtaining FDA or non-U.S. approval for their products more rapidly than us. Generally, products that reach the market first have a market advantage. In addition, other technologies or products may be developed that have an entirely different approach that would render our technology and products noncompetitive or obsolete. See "Certain Factors That May Affect Our Business and Future Results -- Competition and Risk of Technological Obsolescence."

PATENTS AND PROPRIETARY RIGHTS

We consider the protection of our technology to be important to our business. In addition to seeking U.S. patent protection for many of our inventions, we are also seeking patent protection in other countries in order to protect our proprietary rights to inventions. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position.

Our success will depend, in part, on our ability to obtain patents, defend patents and protect trade secrets. We have filed patent applications in the U.S. and in over 40 other countries relating to our principal technologies. In the U.S., 12 patents have been issued to us, the claims of which are primarily

directed to ultrasound contrast media that include fluorocarbon containing chemicals as well as methods of making and using these media. 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 advantage 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 or administrative proceedings 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. A significant portion of our drug delivery products is based upon extending the effective patent life of existing products through the use of our proprietary technology. See "Legal Proceedings" and "Certain Factors That May Affect Our Business and Future 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 commercial success will depend in part on not infringing patents issued to competitors. There can be no assurance that patents belonging to competitors or others 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 could 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 U.S. Patent and Trademark Office ("PTO") or in proceedings before other 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. See "Legal Proceedings" and "Certain Factors That May Affect Our Business and Future Results -- Our commercial success will depend in part on not infringing patents issued to competitors."

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

Also, under the agreement, we transferred to Nycomed the responsibilities and legal costs associated with patent infringement litigation with DuPont Pharmaceuticals Company, DuPont Contrast Imaging, Inc., E.I. DuPont de Nemours & Co., Inc and DuPont Pharma, Inc. See "Legal Proceedings."

We have obtained a registered trademark for our corporate name and have filed for the registration of our TOCOSOL trademark in the U.S. and certain other countries. There can be no assurance that the registered or unregistered trademarks or trade names of our company will not infringe upon third party rights or will be acceptable to regulatory agencies. The requirement to change our trademarks or trade name could entail significant expenses and could have a material adverse effect on our business, financial condition and results of operations.

We also rely on unpatented trade secrets, proprietary know-how and continuing technological innovation which we seek to protect, in part, by confidentiality agreements with our corporate partners, collaborators, employees and consultants. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, or that our trade secrets or know-how will not otherwise become known or be independently discovered by competitors. Further, there can be no assurance that we will be able to protect our trade secrets or that others will not independently develop substantially equivalent proprietary information and techniques. See "Certain Factors That May Affect Our Business and Future Results -- Dependence on patents and proprietary rights."

PRODUCT LIABILITY

The clinical testing, manufacturing and marketing of our products may expose us to product liability claims. We maintain liability insurance for possible claims arising from the use of our products in clinical trials with limits of $5.0 million per claim and in the aggregate. Although we have never been subject to a product liability claim, there can be no assurance that the coverage limits of our insurance policies will be adequate or that one or more successful claims brought against us would not have a material adverse effect upon our business, financial condition and results of operations. If any of our products under development are approved by the FDA, there can be no assurance that adequate product liability insurance will be available, or if available, that it will be available at a reasonable cost. Any adverse outcome resulting from a product liability claim could have a material adverse effect on our business, financial condition and results of operations.

HUMAN RESOURCES

As of March 1, 2001, we had 30 employees, 20 engaged in research and development, regulatory, clinical and manufacturing activities, and 10 in business operations and administration, management, and business development. We consider our relations with our employees to be good, and none of our employees is a party to a collective bargaining agreement.

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 conditions 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 oxygen delivery products. Our drug delivery technology is a new approach to the formulation of water insoluble compounds for therapeutic applications. Significant

expenditures in additional research and development, clinical testing, regulatory, manufacturing, and sales and marketing activities will be necessary in order for us to commercialize any products developed with our technology. Even if we are successful in developing our products, there is no assurance that a commercially viable market will develop. 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 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 using 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, and are expected to incur net losses for 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 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:

- 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;
- 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 of our products, if approved;
- 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 potential partner may devote to the development and commercialization of products under these collaborations and our partners 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 are regulated by the U.S. Food and Drug Administration, or FDA, the European Medicines Evaluation Agency, or EMEA, and comparable international regulatory agencies. The regulatory approval process for new products is lengthy and expensive. Before we can file an application with the FDA and comparable international 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 additional 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 international 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 our products. Success in these fields will be based primarily on:

- Efficacy;

- Safety;

- Ease of administration;

- Breadth of approved indications; and

- Physician, healthcare payer 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 approach 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 oxygen delivery products. The 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 manufacturing of, or cause us to cease the manufacturing of our products. We also rely on third parties to manufacture our 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 U.S. Patent and Trademark Office ("PTO") or in proceedings before international 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 payers. 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 international health administration authorities, private health insurers and other payer organizations. Third party payers are increasingly challenging the price of medical and pharmaceutical 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. 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 2. PROPERTIES

We currently lease approximately 27,000 square feet of laboratory and office space in a single facility near Seattle, Washington. The lease expires in April 2002 and includes an option to extend the term of the lease for three years. We believe that this facility will be adequate to meet our projected needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

In July 2000, DuPont Pharmaceuticals Company, DuPont Contrast Imaging, Inc., E.I. DuPont 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. At the request of Nycomed and us, the Massachusetts action has been transferred to the U.S. District Court for the Western District of Washington.

Under our license agreement with Nycomed, Nycomed has the right to enforce the patents in the field of non-perfluoropentane ultrasound contrast agents on behalf of Nycomed and on our behalf, at Nycomed's expense. Pursuant to this right, Nycomed and we also have filed against DuPont a patent infringement action in the U.S. District Court for the Western District of Washington alleging that DuPont's contrast agent known as "Definity" infringes patents we own and have licensed to Nycomed. 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. We believe it is likely that these actions, both of which have been assigned to the same judge in the U.S. District Court for the Western District of Washington, will be consolidated and effectively proceed as one action. 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.

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, with the consent of our insurance carrier, we entered into a Memorandum of Understanding with the plaintiffs to settle the action for $4.0 million, an amount within our insurance policy limits, conditioned upon approval of the Court. As part of the settlement agreement, our insurance carrier agreed to pay the settlement directly to plaintiffs through an escrow account funded by the insurance company in 2000. In February 2001, the Court approved the settlement and entered an order dismissing with prejudice all claims against us and certain officers and directors.

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

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2000.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK

Our common stock first began trading on the Nasdaq National Market under the symbol SNUS on October 12, 1995. No cash dividends have been paid on the common stock, and we do not anticipate paying any cash dividends in the foreseeable future. As of February 1, 2001, there were 148 stockholders of record and approximately 6,500 beneficial stockholders of our company's Common Stock. The high and low sales prices of our Common Stock as reported by Nasdaq for the eight quarters ended December 31, 2000 are as follows:

<TABLE>
<CAPTION>

	HIGH	LOW
<S>	<C>	<C>
2000		
First Quarter	11 1/4	2 27/64
Second Quarter	4 3/4	2 1/2
Third Quarter	4 3/4	3 5/32
Fourth Quarter	4	13/32
1999		
First Quarter	10 7/8	4 7/8
Second Quarter	8 1/4	5
Third Quarter	7 1/8	3

Fourth Quarter	4 5/8	2 1/16

ITEM 6. SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$ 408	$12,050	$ 5,100	$18,900	$16,600
Total operating expenses	$ 7,641	$12,088	$ 17,012	$18,763	$14,988
Net income (loss)	$(2,147)	$ 435	$(11,173)	$ 1,011	$ 1,722
Net income (loss) per share:					
Basic	$ (0.23)	$ 0.05	$ (1.30)	$ 0.12	$ 0.20
Diluted	$ (0.23)	$ 0.05	$ (1.30)	$ 0.11	$ 0.19
Shares used in calculation of net income (loss) per share					
Basic	9,146	8,836	8,622	8,565	8,481
Diluted	9,146	8,969	8,622	9,580	9,064

	AS OF DECEMBER 31,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash, cash equivalents and marketable securities	$13,462	$16,804	$16,955	$26,571	$25,131
Total assets	$14,310	$18,089	$18,818	$28,946	$26,762
Long-term liabilities	$ --	$ --	$ 2,049	$ 939	$ 240
Stockholders' equity	$ 8,509	$10,048	$ 7,495	$18,505	$16,877

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

- Market acceptance of our products and the potential size of these markets;
- Our anticipated future capital requirements and the terms of any capital financing;
- The progress and results of clinical trials;
- The timing and amount of future contractual payments, product revenues and operating expenses; and
- The anticipated outcome or financial impact of legal matters.

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

The discussion and analysis set forth below contains trend analysis, discussions of regulatory status and other forward-looking statements. Actual results could differ materially from those projected in the forward-looking statement as a result of the following factors, among others:

- Dependence on the development and commercialization of products;
- History of operating losses and uncertainty of future financial results;

- Future capital requirements and uncertainty of additional funding;

- Dependence on third parties for funding, clinical development and distribution;

- Uncertainty of governmental regulatory requirements and lengthy approval process;

- Uncertainty of U.S. or international legislative or administrative actions;

- Competition and risk of technological obsolescence;

- Limited manufacturing experience and dependence on a limited number of contract manufacturers and suppliers;

- Dependence on patents and proprietary rights;

- Limitations on third-party reimbursement for medical and pharmaceutical products;

- Continued listing on the Nasdaq National Market; and

- Dependence on key employees.

See "Business -- Certain Factors That May Affect Our Business and Future Results."

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 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 therapeutic drug delivery and oxygen delivery products utilizing our core technology in emulsion formulations and surfactant chemistry. Based on this proprietary core technology, we have developed the TOCOSOL drug delivery system to solubilize therapeutic drugs that are poorly soluble in water. We are developing a cancer therapy product, S-8184, and a cardiovascular therapy product, S-2646, under the TOCOSOL technology. We are also developing an oxygen delivery product, S-9156, which uses our core emulsion formulation technology and consists of stabilized fluorocarbon gas microbubbles for transporting oxygen to body tissues. See Part I, Item I -- Business for further review of our current products.

REFOCUS STRATEGY

Prior to October 2000, we focused the significant portion of our time and resources on the development of a diagnostic ultrasound contrast agent, EchoGen, using our proprietary core technology in emulsion formulations. In October 2000, we announced a strategic decision to shift our focus from diagnostic ultrasound contrast to the further development of our drug delivery and oxygen delivery products. At that time, we withdrew the EchoGen NDA, discontinued further clinical development of EchoGen, and decided not to pursue commercialization of the product in Europe. These decisions were based on several factors including the possibility of significant additional time and investment to secure regulatory approval in the U.S., the limited market opportunity of an echocardiography ultrasound contrast product, and the potential opportunities to advance the development of our drug delivery and oxygen delivery 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;

- Timing of regulatory approvals.

YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

To date, our reported revenues have been derived from payments received under contractual and license agreements with third parties. Revenue was $0.4 million for the year ended December 31, 2000

compared with $12.1 million in the prior year. Revenues during 2000 were derived from royalties received under our patent license agreement with Nycomed and from payments received under drug feasibility study agreements. Revenue received in the prior year consisted of the initial license fee payment of $10.0 million under our patent license agreement with Nycomed and $2.1 million from Abbott Laboratories under a prior agreement.

Research and development expenses were $3.3 million for the year ended December 31, 2000 compared with $5.6 million in the prior year. The decrease from the prior year was due to a reduction in clinical trials and associated development activity for EchoGen as a result of our decision to discontinue further development of this product. In addition, we terminated an ultrasound contrast manufacturing and supply agreement which resulted in a one-time favorable adjustment in research and development expenses of $1.3 million in 2000.

General and administrative expenses were $4.4 million for the year ended December 31, 2000 compared with $6.5 million in the prior year. The decrease from the prior year was primarily due to a reduction in legal costs as a result of the favorable patent litigation settlement in May 2000 and also due to an overall lower level of administrative expenses resulting from various expense reductions achieved in 2000.

Total operating expenses in 2001 are expected to be consistent with or slightly higher than 2000 levels as we maintain a relatively low fixed cost structure while continuing to invest in the development plans for our drug delivery and oxygen delivery products.

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

Interest income, net of interest expense, was $658,000 for the year ended December 31, 2000 compared with $472,000 for the prior year. The increase in net interest income was primarily due to higher levels of invested cash in 2000.

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

YEARS ENDED DECEMBER 31, 1999 AND DECEMBER 31, 1998

Revenue was $12.1 million for the year ended December 31, 1999 compared with $5.1 million in the prior year. Revenues during 1999 were derived from our agreements with Nycomed ($10.0 million) and Abbott ($2.1 million). Revenue received in 1998 was derived from payments received under our agreements with Abbott.

Research and development expenses were $5.6 million for the year ended December 31, 1999 compared with $10.5 million in the prior year. The decrease from the prior year was primarily due to a reduction in clinical trials and associated development activity for our previous ultrasound contrast product.

General and administrative expenses were $6.5 million for each of the years ended December 31, 1999 and 1998. We had an increase in intellectual property legal costs in 1999 offset by decreases in medical education and other marketing expenses.

Interest income, net of interest expense, was $472,000 for the year ended December 31, 1999 compared to $739,000 for the prior year. The decrease

was primarily due to the lower average levels of invested cash during 1999.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed operations with payments from contractual agreements with third parties, proceeds from equity financing and a bank line of credit. At December 31, 2000, we had cash, cash equivalents and marketable securities of $13.5 million compared to $16.8 million at December 31, 1999. The decrease was primarily due to cash used in operations during the year ended December 31, 2000, offset in part by the $4.3 million of legal and insurance settlements and $0.6 million of proceeds 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% per annum. At December 31, 2000, we had borrowings of $5.0 million outstanding under the line of credit. The line of credit expires in August 2001 and is secured by 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 bank. We cannot give assurance 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 oxygen delivery 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 at least 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.

MARKET RISK

The market risk inherent in our short-term investment and debt portfolio represents the potential loss arising from adverse changes in interest rates. If market rates hypothetically increase immediately and uniformly by 100 basis points from levels at December 31, 2000, the decline in the fair value of the investment portfolio and increased interest expense on our short-term debt portfolio would not be material. Because we have the ability to hold our fixed income investments until maturity, we do not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Response to this item is included in "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSTS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Market Risk"

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS:

<TABLE>
<CAPTION>

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors
Sonus Pharmaceuticals, Inc.

We have audited the accompanying balance sheets of Sonus Pharmaceuticals, Inc. as of December 31, 2000 and 1999, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonus Pharmaceuticals, Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Seattle, Washington
January 18, 2001

SONUS PHARMACEUTICALS, INC.
BALANCE SHEETS

<TABLE>
<CAPTION>

	AS OF DECEMBER 31,	
	2000	1999
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,696,610	$ 894,194
Marketable securities	6,765,854	10,910,292
Compensating cash balance under bank line of credit	5,000,000	5,000,000
Other current assets	345,696	422,851

</TABLE>

Total current assets	13,808,160	17,227,337
Equipment, furniture and leasehold improvements, net	501,660	861,434
Total assets	$ 14,309,820	$ 18,088,771
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank line of credit	$ 5,000,000	$ 5,000,000
Accounts payable and accrued expenses	800,343	3,041,271
Total current liabilities	5,800,343	8,041,271
Commitments and contingencies Stockholders' equity:		
Preferred stock, $.001 par value: 5,000,000 shares authorized; no shares outstanding	--	--
Common stock, $001 par value: 30,000,000 shares authorized; 9,603,520 and 8,989,972 shares issued and outstanding in 2000 and 1999, respectively	38,077,469	37,142,965
Notes receivable from officers	(350,000)	--
Accumulated deficit	(29,219,041)	(27,071,604)
Accumulated other comprehensive income (loss)	1,049	(23,861)
Total stockholders' equity	8,509,477	10,047,500
Total liabilities and stockholders' equity	$ 14,309,820	$ 18,088,771

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Revenues:			
Contract and licensing revenue	$ 408,407	$ 12,050,000	$ 5,100,000
Operating expenses:			
Research and development	3,258,630	5,585,988	10,463,573
General and administrative	4,382,519	6,501,647	6,548,833
Total operating expenses	7,641,149	12,087,635	17,012,406

Operating loss	(7,232,742)	(37,635)	(11,912,406)
Other income (expense):			
Interest income	692,424	568,959	970,146
Interest expense	(34,058)	(96,654)	(231,024)
Other income	4,250,000	--	--
Total other income, net	4,908,366	472,305	739,122
Income (loss) before income taxes	(2,234,376)	434,670	(11,173,284)
Income tax benefit	(176,939)	--	--
Net income (loss)	$(2,147,437)	$ 434,670	$(11,173,284)
Net income (loss) per share:			
Basic	$ (0.23)	$ 0.05	$ (1.30)
Diluted	$ (0.23)	$ 0.05	$ (1.30)
Shares used in calculation of net income (loss) per share:			
Basic	9,146,374	8,836,406	8,621,759
Diluted	9,146,374	8,969,404	8,621,759

</TABLE>

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock		Notes	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Receivable	Deficit	Income (Loss)	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1998	8,611,376	$34,860,237	$ --	$(16,349,661)	$ (5,959)	$ 18,504,617
Comprehensive income (loss):						
Net loss	--	--	--	(11,173,284)	--	(11,173,284)
Unrealized losses on investments	--	--	--	--	(2,449)	(2,449)
Comprehensive loss						(11,175,733)
Issuance of common stock	20,849	149,131	--	--	--	149,131
Amortization of stock compensation	--	--	--	16,671	--	16,671
Balance at December 31, 1998	8,632,225	35,009,368	--	(27,506,274)	(8,408)	7,494,686

Comprehensive income (loss):						
Net income	--	--	--	434,670	--	434,670
Unrealized losses on investments	--	--	--	--	(15,453)	(15,453)
Comprehensive income						419,217
Issuance of common stock	357,747	2,133,597	--	--	--	2,133,597
Balance at December 31, 1999..	8,989,972	37,142,965	--	(27,071,604)	(23,861)	10,047,500
Comprehensive income (loss):						
Net loss	--	--	--	(2,147,437)	--	(2,147,437)
Unrealized gain on investments	--	--	--	--	24,910	24,910
Comprehensive loss						(2,122,527)
Issuance of common stock	613,548	934,504	(350,000)	--	--	584,504
Balance at December 31, 2000..	9,603,520	$38,077,469	$ (350,000)	$(29,219,041)	$ 1,049	$ 8,509,477

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income (loss)	$ (2,147,437)	$ 434,670	$(11,173,284)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	385,594	627,171	831,188
Gain on sale of equipment	(20,419)	--	--
Amortization of discount on marketable securities	(28,056)	(34,852)	(5,571)
Realized (gains) losses on marketable securities	--	4,976	(13,952)
Changes in operating assets and liabilities:			
Other current assets	77,154	(3,832)	220,952
Accounts payable and accrued expenses	(2,240,927)	(1,139,594)	(174,408)
Net cash used in operating activities	(3,974,091)	(111,461)	(10,315,075)
INVESTING ACTIVITIES:			
Purchases of equipment, furniture and leasehold Improvements	(38,666)	(44,515)	(523,870)
Proceeds from sale of equipment	33,265	--	--

Purchases of marketable securities	(8,643,350)	(20,758,859)	(28,308,701)
Proceeds from sales of marketable securities	499,995	14,564,759	24,600,104
Proceeds from maturities of marketable securities	12,340,759	7,049,147	13,292,590
Net cash provided by investing activities	4,192,003	810,532	9,060,123
FINANCING ACTIVITIES:			
Proceeds from bank line of credit	20,000,000	20,000,000	20,000,000
Repayment of bank line of credit	(20,000,000)	(20,000,000)	(20,000,000)
Increase in long-term debt	--	30,783	1,203,282
Repayment of capital lease obligations	--	(93,178)	(146,762)
Proceeds from exercise of stock options	584,504	53,592	149,131
Net cash provided by (used in) financing activities	584,504	(8,803)	1,205,651
Change in cash and cash equivalents for the period	802,416	690,268	(49,301)
Cash and cash equivalents at beginning of period	894,194	203,926	253,227
Cash and cash equivalents at end of period	1,696,610	894,194	203,926
Marketable securities at end of period	6,765,854	10,910,292	11,750,916
TOTAL CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES	$ 8,462,464	$ 11,804,486	$ 11,954,842
Supplemental cash flow information:			
Interest paid	$ 33,958	$ 43,069	$ 64,531
Income taxes paid	$ --	$ --	$ 7,500
Supplemental disclosure of non-cash financing activity:			
Issuance of common stock in exchange for notes receivable	$ 350,000	$ --	$ --
Conversion of long-term debt to common stock	$ --	$ 2,080,005	$ --

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

BUSINESS OVERVIEW

Sonus Pharmaceuticals, Inc. (the Company) is engaged in the research and development of therapeutic drug delivery and oxygen delivery products utilizing our core technology in emulsion formulations. Based on this proprietary technology, we have developed the TOCOSOL(TM) drug delivery system to solubilize drugs that are poorly soluble in water. The Company is developing a cancer therapy product and a cardiovascular therapy product with the TOCOSOL technology. The Company is also developing an oxygen delivery product, which uses our core emulsion formulation technology and consists of stabilized fluorocarbon gas microbubbles for transporting oxygen.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less at the date of purchase.

MARKETABLE SECURITIES

The Company classifies the marketable securities investment portfolio as available-for-sale, and such securities are stated at fair value based on quoted market prices, with the unrealized gains and losses included as a component of accumulated other comprehensive loss. Interest earned on securities available-for-sale is included in interest income. The cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Realized gains and losses and declines in value judged to be other than temporary on securities available-for-sale also are included in interest income. The cost of securities sold is based on the specific identification method.

CONCENTRATIONS OF CREDIT RISK

The Company invests its excess cash in accordance with investment guidelines which limit the credit exposure to any one financial institution and to any one type of investment, other than securities issued by the U.S. government. The guidelines also specify that the financial instruments are issued by institutions with strong credit ratings. These securities are generally not collateralized and mature within one year.

REVENUE RECOGNITION

Revenue from research and development contract services is recorded as earned based on the performance requirements of the contract, generally as the services are performed. The Company recognizes revenue from non-refundable, upfront license fees when delivery has occurred and no future obligations exist. Payments received for which the earnings process is not complete are classified as deferred revenue.

Royalties from licensees are based on third-party sales and recorded as earned in accordance with contract terms, when third-party results are reliably measured and collectibility is reasonably assured.

EQUIPMENT, FURNITURE AND LEASEHOLD IMPROVEMENTS

Equipment, furniture and leasehold improvements are stated at cost. Depreciation of equipment is provided using the straight-line basis over three to five years, the estimated useful life of the assets. Leasehold improvements are amortized over the lesser of the economic useful lives of the improvements or the term of the related lease.

STOCK-BASED COMPENSATION

In accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company has elected to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the market price of the Company's common stock at the date of grant over the stock option exercise price. Under the Company's stock plans, stock options are generally granted at fair market value.

COMPREHENSIVE INCOME

In accordance with Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" (SFAS 130), the Company has reported comprehensive income, defined as net income (loss) plus other comprehensive income, in the Statements of Stockholders' Equity. The total of other accumulated comprehensive income consists of unrealized gains and losses on marketable securities.

PER SHARE DATA

In accordance with Statement of Financial Accounting Standards No. 128 "Earnings Per Share" the Company has presented both basic and diluted earnings per share ("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.

USE OF ESTIMATES

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and

assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. MARKETABLE SECURITIES

Marketable securities consist of the following at December 31, 2000 and 1999:

<TABLE>
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	COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
2000:				
Corporate debt securities (principally commercial paper)	$6,759,992	$1,263	$(214)	$6,765,854

</TABLE>

<TABLE>
<CAPTION>

	COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
1999:				
Government obligations	$ 1,499,545	$ --	$ (1,772)	$ 1,497,773
Corporate debt securities (principally commercial paper)	9,426,200	1,189	(14,870)	9,412,519
	$10,925,745	$ 1,189	$ (16,642)	$10,910,292

</TABLE>

Total realized gains on sales of available-for-sale securities were not material in the current year. Realized gains on the sales of available-for-sale securities were $3,015 and $13,952 in 1999 and 1998, respectively. The realized losses on sales of available for sale securities were $0, $7,991 and $0 in 2000, 1999 and 1998, respectively. All marketable securities at December 31, 2000 mature within one year.

3. EQUIPMENT, FURNITURE AND LEASEHOLD IMPROVEMENTS

Equipment, furniture and leasehold improvements consist of the following:

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Laboratory equipment	$2,204,009	$2,221,744
Office furniture and equipment	989,618	1,037,586
Leasehold improvements	782,060	782,060
	3,975,687	4,041,390
Less accumulated depreciation and amortization	3,474,027	3,179,956
	$ 501,660	$ 861,434

</TABLE>

4. DEBT

The Company has a Loan Agreement with a bank which provides for a $5.0 million revolving line of credit facility. Borrowings bear interest at the prime rate plus 1.0% per annum. At December 31, 2000 and December 31, 1999, there was $5.0 million outstanding under the line of credit. The line of credit expires in August 2001 and is secured by the tangible assets of the Company. The Company is 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 bank.

In June 1999, the Company converted an outstanding debt obligation of $2,080,005 under a prior collaboration agreement with Abbott Laboratories into 343,802 shares of common stock of the Company. The conversion price was based on the 20-day average closing price of the Company's common stock prior to conversion.

5. CONTRACTUAL AGREEMENTS

In 1996, the Company entered into agreements with Abbott Laboratories ("Abbott") for the development and commercialization of an ultrasound contrast agent, EchoGen. Under these agreements, Abbott has paid the Company a total of $37.7 million based on the achievement of certain milestones. The agreements with Abbott were terminated in 2000. The Company made a strategic decision in October 2000 to shift its focus from diagnostic ultrasound contrast to the further development of its drug delivery and oxygen delivery products. At that time, the Company withdrew the EchoGen application with the FDA and discontinued further clinical development. In addition, the Company terminated the manufacturing and supply agreement with Abbott for EchoGen which resulted in a $1.3 million favorable adjustment that is included as a reduction in research and development expenses in the Statement of Operations for the year ended December 31, 2000.

In 1999, the Company entered into a license agreement with Nycomed Imaging AS ("Nycomed") for the cross-license of certain proprietary ultrasound contrast agent technologies and received a license fee of $10.0 million. Under the terms of the agreement, the Company provided Nycomed with an exclusive license to its ultrasound contrast patents except as related to perfluoropentane. Under the exclusive license to the patents, Nycomed also has the right to freely sublicense to other companies with a portion of any sublicense fees to be paid to the Company. In addition, the Company has a worldwide, non-exclusive license to certain of Nycomed's ultrasound contrast agent patents. The Company also has the right to sublicense these patents to its collaborative partners. In addition to the license fee, Nycomed pays the Company a royalty based on sales of its licensed products.

6. INCOME TAXES

Income taxes consist of the following:

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Federal -- current	$ --	$ --	$ --
Foreign -- current	(176,939)	--	--
Total	$(176,939)	$ --	$ --

</TABLE>

In the first quarter of 2000, the Company received a refund of $176,939 for international withholding taxes that were originally paid in 1995. Due to the uncertainty of receipt of this refund, a valuation allowance had previously been provided.

A reconciliation of the Federal Statutory tax rate of 34% to the Company's effective income tax rate follows:

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Statutory tax rate	(34.00%)	34.00%	(34.00%)
Utilization of net operating loss carry forwards	--	(37.95)	--
Permanent difference	0.89	3.95	(0.20)
Change in valuation allowance	33.11	--	34.20
Foreign tax credit	(8.24%)	--	--
Effective tax rate	(8.24%)	--%	--%

</TABLE>

Significant components of the Company's net deferred tax assets and liabilities as of December 31, 2000 and 1999 are as follows:

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
Deferred tax assets:		
Federal net operating loss carry forwards	$ 9,311,000	$ 8,580,000
Accrued expenses	99,000	126,000

Research and development credits	1,449,000	1,347,000
Foreign tax credits	1,006,000	1,183,000
AMT tax credits	68,000	68,000
Book in excess of tax depreciation expense	170,000	149,000
Gross deferred tax assets	12,103,000	11,453,000
Valuation allowance for net deferred tax assets	(12,103,000)	(11,453,000)
Net deferred tax assets	$ --	$ --

</TABLE>

Due to the uncertainty of the Company's ability to generate taxable income to realize its net deferred tax assets at December 31, 2000 and 1999, a valuation allowance has been recognized for financial reporting purposes. The Company's valuation allowance for deferred tax assets increased $650,000 and $87,000 for the years ended December 31, 2000 and 1999, respectively.

At December 31, 2000, the Company has federal net operating loss carry forwards of approximately $27,386,000 for income tax reporting purposes and research and development and AMT tax credit carry forwards of approximately $1,517,000. The federal operating loss carry forwards and research and development credits begin to expire in 2006.

The initial public offering of common stock by the Company in 1995 caused an ownership change pursuant to applicable regulations in effect under the Internal Revenue Code of 1986. Therefore, the Company's use of losses incurred through the date of ownership change will be limited during the carry forward period and may result in the expiration of net operating loss carry forwards before utilization.

7. STOCKHOLDERS' EQUITY

COMMON STOCK

At December 31, 2000, the Company had shares of common stock reserved for possible future issuance as follows:

<TABLE>

<S>	<C>
Stock options outstanding	2,515,945
Shares available for future grant under stock plans ...	703,021
Warrants outstanding	500,000
	3,718,966

</TABLE>

STOCK OPTIONS

The Company has several stock option plans, including the 2000 Stock Incentive Plan adopted in 2000, whereby shares of common stock are reserved for future issuance pursuant to stock option grants or other issuances. Employee stock options vest over a period of time determined by the Board of Directors, generally four years, and director stock options are generally fully vested on the date of grant. Stock options generally are granted at the fair market value on the date of grant and expire ten years from the date of grant.

A summary of activity related to the Company's stock options follows:

<TABLE>
<CAPTION>

	SHARES	EXERCISE PRICE
<S>	<C>	<C>
Balance, January 1, 1998 ...	$ 1,044,919	$ .07 -- 44.00
Granted	823,215	6.25 -- 38.63
Exercised	(11,765)	.07 -- 24.13
Canceled	(545,278)	3.93 -- 44.00
Balance, December 31, 1998	1,311,091	.20 -- 44.00
Granted	814,026	3.69 -- 6.94
Exercised	(5,158)	3.93 -- 6.25
Canceled	(134,077)	5.94 -- 44.00
Balance, December 31, 1999	1,985,88	.20 -- 44.00
Granted	1,252,215	.63 -- 6.00
Exercised	(203,785)	.66 -- 6.75
Canceled	(518,367)	.88 -- 6.00

Balance, December 31, 2000..	2,515,945	.20 -- 44.00			

</TABLE>

Options exercisable at December 31, 2000, 1999, and 1998, were 997,546, 990,462, and 757,775, respectively.

The following table summarizes information about stock options outstanding at December 31, 2000:

<TABLE>
<CAPTION>

OPTIONS OUTSTANDING				OPTIONS	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$ 0.20 - $ 0.88	660,613	9.83 years	$ 0.80	613	$ 0.20
$ 3.63 - $ 4.88	141,514	9.14 years	$ 4.02	43,835	$ 3.96
$ 5.94 - $ 8.19	1,165,580	8.11 years	$ 6.21	411,981	$ 6.44
$10.13 - $ 20.50	487,405	5.14 years	$ 13.57	484,860	$ 13.59
$27.75 - $ 44.00	60,834	6.55 years	$ 34.21	56,257	$ 33.97
Total	2,515,945	8.01 years	$ 6.77	997,546	$ 11.35

</TABLE>

ACCOUNTING FOR STOCK-BASED COMPENSATION

In accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Stock-Based Compensation (SFAS 123), the Company has elected to continue following the intrinsic value method allowed under the statement for its stock option plans and present pro forma disclosures of the fair value method prescribed by SFAS 123. Had the Company elected to recognize compensation cost based on the fair value of the options as prescribed by SFAS 123, the net loss and associated basic net loss per share amounts would have been $3.6 million or $0.40 per share, $1.7 million or $0.19 per share and $13.5 million or $1.57 per share for the years ended December 31, 2000, 1999 and 1998, respectively. The fair value of each option is estimated using the Black-Scholes option pricing model. The assumptions used in this model include (1) the stock price at grant date, (2) the exercise price, (3) an estimated option life of four years, (4) no expected dividends for each year presented, (5) an expected stock price volatility factor of 1.14, 0.873, and 0.659 in 2000, 1999 and 1998, respectively, and (6) a risk-free interest rate of 6.35%, 6.88% and 4.43% in 2000, 1999 and 1998, respectively. The weighted average fair value per share of options granted during 2000, 1999 and 1998 was $2.38, $3.92 and $4.27, respectively.

STOCK PURCHASE PLAN

The company has an employee stock purchase plan whereby employees may contribute up to 15% of their compensation to purchase shares of the Company's common stock at 85% of the stock's fair market value at the lower of the beginning or end of each three-month offering period. Shares purchased under the plan were 9,763, 8,787 and 9,698 in 2000, 1999 and 1998, respectively. At December 31, 2000, 55,457 shares were reserved for future purchases by employees under the plan.

WARRANTS

As of December 31, 2000, the Company had warrants outstanding to purchase 500,000 shares of common stock. The warrants are exercisable at $16.00 per share and expire in May 2001.

NOTES RECEIVABLE

In October 2000, the Company entered into stock purchase agreements with certain officers whereby the officers purchased 400,000 shares of common stock at the fair market value of the stock on the date of purchase in exchange for full-recourse notes totaling $350,000. Each of the notes is due in five years with interest due annually at the rate of 6.09%. The shares are restricted and subject to repurchase by the Company at the original purchase price for a period of one year.

SHAREHOLDER RIGHTS PLAN

The Company has adopted a Shareholder Rights Plan ("Plan"). Under the Plan, the Company's Board of Directors declared a dividend of one Preferred Stock Purchase Right ("Right") for each outstanding common share of the Company. The Rights have an exercise price of $140 per Right and provide the holders with the right to purchase, in the event a person or group acquires 15% or more of the Company's common stock, additional shares of the Company's common stock having a market value equal to two times the exercise price of the Right. The Rights expire in 2006.

8. NET INCOME (LOSS) PER SHARE

A reconciliation between basic and diluted net income (loss) per share follows:

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
BASIC NET INCOME (LOSS) PER SHARE:			
Net income (loss)	$(2,147,437)	$ 434,670	$(11,173,284)
Weighted average common shares	9,146,374	8,836,406	8,621,759
Basic net income (loss) per share ...	$ (0.23)	$ 0.05	$ (1.30)
DILUTED NET INCOME (LOSS) PER SHARE:			
Net income (loss)	$(2,147,437)	$ 434,670	$(11,173,284)
Weighted average common shares	9,146,374	8,836,406	8,621,759
Dilutive potential common shares	--	132,998	--
Total shares	9,146,374	8,969,404	8,621,759
Diluted net income (loss) per share ...	$ (0.23)	$ 0.05	$ (1.30)

</TABLE>

As of December 31, 2000, 1999 and 1998, 2,502,105, 2,090,529 and 2,088,369 options and warrants, respectively, have not been included in the calculation of potential common shares as their effect on diluted per share amounts would have been anti-dilutive.

9. COMMITMENTS AND CONTINGENCIES

The Company has leased office space and equipment under two operating lease agreements which expire in April 2002 and October 2004, respectively. Under the office lease, the Company has the option to extend the lease for an additional three years at the then fair market value of the leased premises. Future minimum lease payments under these leases are as follows:

<TABLE>
<S>

	<C>
2001.....	$ 597,836
2002.....	167,055
2003.....	19,320
2004.....	16,100
	$ 800,311

</TABLE>

Rental expense for the years ended December 31, 2000, 1999 and 1998 was $603,000, $613,000 and $564,000, respectively.

10. LEGAL PROCEEDINGS

In July 2000, DuPont Pharmaceuticals Company, DuPont Contrast Imaging,

Inc., E.I. DuPont 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 the Company and certain Nycomed Amersham-related entities. DuPont's complaint seeks a declaratory judgement that certain ultrasound contrast patents owned by the Company and licensed to Nycomed are invalid and not infringed by DuPont. The Company and Nycomed believe Dupont's complaint is without merit and intend to vigorously defend against the complaint. At the request of Nycomed and the Company, the Massachusetts action has been transferred to the U.S. District Court for the Western District of Washington.

Under the Company's license agreement with Nycomed, Nycomed has the right to enforce the patents in the field of non-perfluoropentane ultrasound contrast agents on behalf of Nycomed and on the Company's behalf, at Nycomed's expense. Pursuant to this right, Nycomed and the Company 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 the Company owns 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 of these actions, both of which have been assigned to the same judge in the U.S. District Court for the Western District of Washington, will be consolidated and effectively proceed as one action. Pursuant to the Company's 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.

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 the Company and certain of the Company's officers and directors, alleging violations of Washington State and U.S. securities laws. In October 1998, the Company 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, the Company 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, the Company filed motions for summary judgment and to stay discovery.

In July 2000, the Company, with the consent of its insurance carrier, entered into a Memorandum of Understanding with the plaintiffs to settle the action for $4.0 million, an amount within the Company's insurance policy limits, conditioned upon approval of the Court. As part of the settlement agreement, the Company's insurance carrier agreed to pay the settlement directly to plaintiffs through an escrow account funded by the insurance company in 2000. In February 2001, the Court approved the settlement and entered an order dismissing with prejudice all claims against the Company and certain officers and directors.

Other income for the year ended December 31, 2000 represents payments received in the second quarter of $4.25 million from patent litigation and insurance settlements. As part of the patent litigation settlement, the Company received a payment of $2.5 million from Nycomed pursuant to the Company's patent license agreement with Nycomed. In addition, the Company reached an agreement on a pre-existing insurance coverage dispute and received a settlement payment of $1.75 million.

11. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>
<CAPTION>

	QUARTER ENDED			
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
2000				
Revenues	$ --	$ 45	$ 68	$ 295
Operating expenses	$ 2,476	$ 2,424	$ 2,403	$ 338
Operating income (loss)	$(2,476)	$(2,379)	$ (2,335)	$ (43)
Net income (loss)	$(2,150)	$ 2,056	$ (2,166)	$ 113
Net income (loss) per share:				
Basic	$ (0.24)	$ 0.22	$ (0.24)	$ 0.01
Diluted	$ (0.24)	$ 0.22	$ (0.24)	$ 0.01
1999				
Revenues	$ 1,700	$ 350	$ 10,000	$ --
Operating expenses	$ 3,201	$ 3,574	$ 3,131	$ 2,182

Operating income (loss)	$(1,501)	$(3,224)	$ 6,869	$(2,182)
Net income (loss)	$(1,381)	$(3,123)	$ 6,912	$(1,974)
Net income (loss) per share:				
Basic	$ (0.16)	$ (0.36)	$ 0.77	$ (0.22)
Diluted	$ (0.16)	$ (0.36)	$ 0.76	$ (0.22)

12. SUBSEQUENT EVENT

In January 2001, the Company entered into a patent licensing agreement with Chugai Pharmaceutical, Co., Ltd. (Chugai) and Molecular Biosystems, Inc., (MBI). The agreement gives Chugai and MBI non-exclusive rights under certain Sonus patents to manufacture and sell Optison, an ultrasound contrast agent, in Japan, South Korea, and Taiwan.

The Company received in January 2001 an initial non-refundable license fee of $1.0 million and will receive a second $1.0 million payment in June 2001. The second $1.0 million payment will be considered non-refundable if any claims of a Sonus Japanese patent application are allowed within a period of two years from the signing of the agreement. If no claims are allowed on the Sonus Japanese patent application within this two-year period, the Company will repay the second $1.0 million payment without interest. In addition to the $2.0 million license fee payments, Chugai and MBI will pay royalties to the Company on sales of Optison if and when the product is approved for marketing in the territories covered under the patent license agreement.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with its 2001 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with its 2001 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with its 2001 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with its 2001 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The financial statements filed as a part of this Report are listed on the "Index to Financial Statements" on Page 20.

(2) All schedules are omitted because they are not required or the required information is included in the financial statements or notes thereto.

(3) Exhibits

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
3.2	Amended and Restated Certificate of Incorporation of the Company.	(1)
3.3	Certificate of Amendment of Certificate of Incorporation of the Company.	(12)

3.4	Amended and Restated Bylaws of the Company.	(1)
4.1	Specimen Certificate of Common Stock.	(1)
4.2	Rights Agreement, dated as of August 23, 1996, between the Company and U.S. Stock Transfer Corporation.	(3)
10.14	Contrast Agent Development and Supply Agreement dated May 6, 1993 by and between the Company and Abbott Laboratories, Inc. (portions omitted pursuant to Rule 406 of the 1933 Act).	(1)
10.14A	Amendment to Contrast Agent Development and Supply Agreement dated August 22, 1995 by and between the Company and Abbott Laboratories, Inc. (portions omitted pursuant to Rule 406 of the 1933 Act).	(1)
10.18	Lease Agreement dated January 17, 1994 between the Company and WRC Properties, Inc.	(1)
10.18A	Amendment 2 dated October 28, 1997 to Lease Agreement dated January 17, 1994.	(10)
10.18B	Amendment 3 dated October 15, 1998 to Lease Agreement dated January 17, 1994.	(10)
10.19	Form of Indemnification Agreement for Officers and Directors of the Company.	(1)
10.21	Loan and Security Agreement dated August 11, 1995 by and between the Company and Silicon Valley Bank.	(1)
10.21A	Loan Modification Agreement dated September 10, 1997 to Loan and Security Agreement by and between the Company and Silicon Valley Bank.	(10)
10.21B	Loan Modification Agreement dated August 31, 1998 to Loan and Security Agreement by and between the Company and Silicon Valley Bank.	(10)
10.21C	Loan Modification Agreement dated August 30, 1999 to Loan and Security Agreement by and between the Company and Silicon Valley Bank.	(14)
10.25	Agreement between Abbott Laboratories, Inc. and the Company, dated May 14, 1996 (portions omitted pursuant to Rule 24b-2).	(5)
10.26	Third Amended and Restated Registration Rights Agreement dated as of May 15, 1996.	(6)
10.28	International License Agreement, dated October 1, 1996, by and between Abbott Laboratories, Inc. and the Company (portions omitted pursuant to Rule 24b-2).	(7)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION	LOCATION
<S>	<C>	<C>
10.29	Commercial Supply Agreement dated March 6, 1998.	(8)
10.33	First Amendment to Agreement by and between Abbott Laboratories and Sonus Pharmaceuticals, Inc. dated January 31, 1999.	(11)
10.34	First Amendment to International License Agreement by and between Abbott International, Ltd. and Sonus Pharmaceuticals, Inc. dated January 31, 1999.	(11)
10.35	Securities Purchase Agreement between Abbott Laboratories and Sonus Pharmaceuticals, Inc. dated January 31, 1999.	(11)
10.36	License Agreement by and between Nycomed Amersham AS and the Company dated August 31, 1999.	(13)
10.38	Mutual Rescission Agreement dated October 11, 1999 by and between the Company and Abbott International Ltd.	(14)
10.40	Amendment to the First Amendment to Agreement by and between Abbott Laboratories and the Company, dated February 3, 2000.	(15)
10.43	Loan and Security Agreement by between Sonus Pharmaceuticals, Inc. and Silicon Valley Bank, dated September 6, 2000.	(17)
10.45	License Agreement by and between Chugai Pharmaceutical Co. Ltd., Molecular Biosystems, Inc., and the Company, dated December 22, 2000.	(18)
10.46	Termination Agreement by and between Abbott Laboratories and the Company, dated December 14, 2000.	(18)
23.1	Consent of Ernst & Young LLP, Independent Auditors.	(18)
24.1	Power of Attorney (included on the Signature Page of this Annual Report on Form 10-K).	(18)
	COMPENSATION PLANS AND ARRANGEMENTS	
10.1	Sonus Pharmaceuticals, Inc. Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan -- 1991 (the "1991 Plan"), as amended.	(1)
10.2	Form of Incentive Stock Option Agreement pertaining to the 1991 Plan.	(1)
10.3	Form of Nonqualified Stock Option Agreement pertaining to the 1991 Plan	(1)

10.4	Form of Restricted Stock Purchase Agreement pertaining to the 1991 Plan.	(1)
10.5	Sonus Pharmaceuticals, Inc. 1995 Stock Option Plan for Directors (the "Director Plan").	(1)
10.6	Form of Stock Option Agreement pertaining to the Director Plan.	(1)
10.7	1999 Nonqualified Stock Incentive Plan (the "1999 Plan").	(12)
10.8	Form of Stock Option Agreement pertaining to the 1999 Plan.	(12)
10.9	Form of Restricted Stock Purchase Agreement pertaining to the 1999 Plan.	(12)
10.22	Sonus Pharmaceuticals, Inc. Employee Stock Purchase Plan.	(2)
10.24	Employment Agreement, effective as of January 16, 1996, by and between the Company and Steven C. Quay, M.D., Ph.D.	(12)
10.24A	Employment Agreement, effective February 11, 1999, by and between the Company and Steven C. Quay, M.D., Ph.D.	(12)
10.31	Change in Control Agreement for Michael Martino.	(9)
10.37	Agreement for Part-Time Employment and Mutual Release, effective August 25, 1999 by and between the Company and Steven C. Quay, M.D., Ph.D.	(14)
10.39	Change in Control Agreement for John T. Flaherty, M.D.	(15)
10.41	2000 Stock Incentive Plan (the "2000 Plan").	(16)
10.42	Form of Stock Option Agreement pertaining to the 2000 Plan.	(16)
10.44	Change in Control Agreement for Richard J. Klein.	(17)

</TABLE>

(1) Incorporated by reference to the referenced exhibit number to the Company's Registration Statement on form S-1, Reg. No. 33-96112.

(2) Incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on form S-1, Reg. No. 33-80623.

(3) Incorporated by reference to the Company's Registration Statement on form 8-A, dated August 23, 1996.

(4) Incorporated by reference to the referenced exhibit number to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996.

(5) Incorporated by reference to the referenced exhibit number to the Company's Current Report on Form 8-K dated May 14, 1996.

(6) Incorporated by reference to the referenced exhibit number to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1996.

(7) Incorporated by reference to the referenced exhibit number to the Company's Current Report on Form 8-K dated October 1, 1996.

(8) Incorporated by, reference to the referenced exhibit number to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998.

(9) Incorporated by, reference to the referenced exhibit number to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998.

(10) Incorporated by reference to the referenced exhibit number to the Company's Annual Report on form 10-K for the period ended December 31, 1998.

(11) Incorporated by reference to the referenced exhibit number to the Company's Current Report on Form 8-K dated February 3, 1999.

(12) Incorporated by reference to the referenced exhibit number to the Company's Quarterly Report on form 10-Q for the quarterly period ended March 31, 1999.

(13) Incorporated by reference to the referenced exhibit number to the Company's Current Report on Form 8-K dated September 28, 1999.

(14) Incorporated by, reference to the referenced exhibit number to the Company's Quarterly Report on Form 10-QA for the quarterly period ended September 30, 1999.

(15) Incorporated by reference to the referenced exhibit number to the Company's Annual Report on form 10-K for the period ended December 31, 1999.

(16) Incorporated by reference to the referenced exhibit number to the Company's Quarterly Report on form 10-Q for the quarterly period ended June 30, 2000.

(17) Incorporated by reference to the referenced exhibit number to the Company's Quarterly Report on form 10-Q for the quarterly period ended September 30, 2000.

(18) Filed herewith.

(b) Reports on Form 8-K

The Company filed the following report on Form 8-K during the quarter ended December 31, 2000.

1. The Registrant filed a report on Form 8-K on October 19, 2000 in connection with the announcement to refocus the Company on the development of its drug delivery and blood substitute products. At the same time, the Company announced that it had withdrawn the New Drug Application for its ultrasound contrast product and discontinued further clinical activity related to ultrasound contrast development.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Bothell, State of Washington, on September 28, 2001.

SONUS PHARMACEUTICALS, INC.

Dated: September 28, 2001

By: /s/ Michael A. Martino

Michael A. Martino
President, Chief Executive Officer
and Director (Principal Executive Officer)

We, the undersigned directors and officers of Sonus Pharmaceuticals, Inc., do hereby constitute and appoint Michael A. Martino and Richard J. Klein, or either of them, our true and lawful attorneys and agents, with full powers of substitution to do any and all acts and things in our name and on behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments thereto; and we do hereby ratify and confirm all that said attorneys and agents, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>

<S>	<C>	<C>
/s/ Michael A. Martino --- Michael A. Martino	President, Chief Executive Officer and Director (Principal Executive Officer)	September 28, 2001
/s/ Richard J. Klein --- Richard J. Klein	Vice President of Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	September 28, 2001
/s/ George W. Dunbar, Jr. --- George W. Dunbar, Jr.	Director, Co-Chairman of the Board of Directors	September 28, 2001
/s/ Christopher S. Henney, Ph.D., D. Sc.	Director	September 28, 2001

Christopher S. Henney, Ph.D, D. Sc.		
/s/ Robert E. Ivy Robert E. Ivy	Director, Co-Chairman of the Board of Directors	September 28, 2001
/s/ Dwight Winstead Dwight Winstead	Director	September 28, 2001

</TABLE>

LICENSE AGREEMENT

This License Agreement ("Agreement") dated as of December 22, 2000, is entered into by and between Chugai Pharmaceutical Co. Ltd., a Japanese corporation with principal offices at 1-9 Kyobashi 2-Chome, Chuo-ku, Tokyo 104-8301, Japan ("Chugai"), Molecular Biosystems, Inc., a Delaware corporation with principal offices at 10030 Barnes Canyon Road, San Diego, California 92121, USA ("MBI"), and Sonus Pharmaceuticals, Inc., a Delaware corporation with principal offices at 22026 20th Avenue S.E., Bothell, Washington 98021, USA ("Sonus").

RECITALS

WHEREAS, Sonus has developed and holds patents and patent applications on ultrasound contrast agents, and

WHEREAS, Chugai and MBI are parties to one or more agreements pursuant to which MBI has licensed Chugai to develop, manufacture use, sell and offer to sell certain ultrasound contrast agents, including Optison (as defined below) in Japan, South Korea, and Taiwan, and

WHEREAS, Chugai and MBI desire that Chugai and MBI obtain rights under the Sonus Patents (as defined below) to develop manufacture, use, sell, offer to sell, and import ultrasound contrast agents in Japan, South Korea, and Taiwan,

NOW THEREFORE, in consideration of the premises and the faithful performance of the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. DEFINITIONS

As used in this Agreement, the following defined terms shall have the respective meanings set forth below:

1.1 "Sonus Japanese Patent Applications" means Japanese patent applications nos. 05-506054, 06-517084, and 2000-150619.

1.2 "Sonus Patents" shall mean Korean patent no. 191,303, Taiwanese patent nos. 63,126 and 111,135, and any patents which may issue from Korean patent application no. 703129/95 or from the Sonus Japanese Patent Applications, or on any continuation or divisional application of them.

1.3 "Affiliate" means any entity which controls, is controlled by, or is under common control with another entity. An entity is deemed to be in control of another entity if such company directly or indirectly owns 50% or more in nominal value of the issued equity share capital of such other company, or 50% or more of the shares entitled to vote upon the election of: (i) the directors, (ii) persons performing functions similar to those performed by directors or (iii) persons otherwise having the right to elect or appoint (a) directors having the majority vote of the Board of Directors, or (b) other persons having the majority vote of the highest and most authoritative directive body of such other company.

*Confidential portions omitted and filed separately with the Commission.

1.4 "Territory" shall mean Japan, Taiwan, and South Korea.

1.5 "Net Sales" shall mean the gross revenues recognized by Chugai or MBI, and their Affiliates (including revenues recognized from distributors, agents, or licensees), less sales, use, value-added, consumption or other similar taxes, returns, and actual discounts or rebates granted, and transportation and insurance on account of the sale or other disposition of Optison .

1.6 "Nycomed" shall mean Nycomed Imaging AS, a Norwegian corporation.

1.7 "Quarter" shall mean each three-month calendar quarter, commencing each January 1st, April 1st, July 1st and October 1st during the term of this Agreement, provided that the first Quarter shall include any remaining portion of the calendar quarter following the date of this Agreement in addition to the calendar quarter following such portion. "Quarterly" shall mean per Quarter.

1.8 "Third Party" shall mean all persons and entities other than Chugai, MBI, Sonus, and their respective Affiliates.

1.9 "Optison" shall mean (i) an ultrasound contrast agent constituted as Optison is presently constituted and described in the application for U.S. Food and Drug Administration approval of same, together with such modifications

thereto as may be made in connection with such application; (ii) an ultrasound contrast agent constituted as Optison is presently constituted and described in the application for U.S. Food and Drug Administration approval of same, but having a recombinant albumin shell together with such modifications thereto as may be made in connection with a Japanese MHW application or approval thereof; provided however that "Optison" shall not include any product comprising perfluorocarbon gas other than perfluoropropane.

1.10 "Sonus Products" shall mean any ultrasound contrast agent comprising perfluoropentane (a/k/a dodecafluoropentane) developed, manufactured or sold by Sonus or its licensees.

2. LICENSE GRANT

2.1 As of the date of this Agreement, Sonus grants to Chugai and MBI a non-exclusive license under the Sonus Patents to develop, make, have made, use, sell, offer to sell, and import Optison in the Territory. The grant of this license is expressly conditioned on the covenant not to sue set forth in Section 5.1 below, and shall terminate automatically if that covenant of either Chugai or MBI ceases to be effective for any reason.

2.2 Each party retains all rights in its patents and patent applications not granted to another party in this Agreement.

2.3 Sonus shall determine in its own sole and absolute discretion which of the Sonus Patents (or applications therefor) to prosecute or maintain, how such prosecution shall be conducted, and whether to cease prosecution and/or maintenance of any of the Sonus Patents (or applications therefor). All expenses for such prosecution and/or maintenance shall be the responsibility of Sonus. Sonus shall keep Chugai duly informed

*Confidential portions omitted and filed separately with the Commission.

of the issuance of Sonus Patents. As soon as any of the Sonus Patents shall be issued by and duly registered with the competent patent authority, Chugai may register the licenses granted hereunder as a non-exclusive license ("Tsujo Jisshiken" in Japanese language) with the competent patent authority, provided that such registration does not disclose any material terms of this Agreement other than the fact of the license. Sonus shall reasonably assist Chugai, at Chugai's expense, to complete such registration.

3. LICENSE FEES AND ROYALTIES

3.1 Within ten (10) business days after the date of this Agreement, Chugai shall pay to Sonus, in the manner specified in Section 25.3, a non-refundable license fee of one million US dollars (US $1,000,000). Any applicable withholding taxes will be borne by Sonus. Chugai shall pay all such withholding taxes to the relevant tax authority for the account of Sonus in accordance with applicable law, and shall provide Sonus with a certificate of such payment in a form reasonably acceptable to Sonus. The license fee payment called for in this paragraph shall not be an advance against royalties nor shall it be credited against any other amounts due under this Agreement.

3.2 On or before June 15, 2001 Chugai shall pay Sonus, in the manner specified in Section 25.3, an additional amount of one million U.S. dollars with any applicable withholding taxes borne by Sonus. Chugai shall pay all such withholding taxes to the relevant tax authority for the account of Sonus in accordance with applicable law, and shall provide Sonus with a certificate of such payment in a form reasonably acceptable to Sonus. If on or before the second anniversary of the date of this Agreement any claim(s) in the Sonus Japanese Patent Application No. 05-506054 are allowed, or are indicated by the Japanese Patent Office as being allowable, or are indicated by the Japanese Patent Office as being allowable if amended and Sonus files such an amendment, then this payment will be considered a non-refundable license fee. The said payment called for in this paragraph, if considered as a non-refundable license fee pursuant to this paragraph, shall not be an advance against royalties nor shall it be credited against any other amounts due under this Agreement. If on or before the second anniversary of the date of this Agreement no claim(s) in the Sonus Japanese Patent Application No. 05-506054 are allowed, or indicated by the Japanese Patent Office as being allowable, or indicated by the Japanese Patent Office as being allowable if amended, then Sonus will repay this second one million payment to Chugai (without interest on terms agreed between the parties) within one (1) month from said second anniversary.

3.3 In addition to the payments required under Sections 3.1 and 3.2 above, Chugai and MBI shall each owe to Sonus in each Quarter a royalty of * on their aggregate respective Net Sales of Optison in all countries within the Territory where any Sonus Patent is in force at any time during the Quarter; provided, however, that the definition of Net Sales in Section 1.5 of this Agreement notwithstanding, Net Sales by Chugai in its capacity as MBI's licensee shall not be considered Net Sales of MBI. The obligations of Chugai and MBI to pay such royalty are several, and neither of them shall be responsible for

failure by either of them to pay the same.

3.4 The royalties provided in Section 3.3 shall be calculated Quarterly on a country-by-country basis. No later than thirty (30) days after the end of each Quarter, Chugai shall provide Sonus with a statement of Net Sales of Optison in each country in the Territory. The royalty payments due Sonus by Chugai shall then be made within twenty (20) days of the delivery of said statements. All royalty payments shall be paid in

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US dollars.

4. SUBLICENSES, RELEASES, AND PATENT ENFORCEMENT

4.1 Chugai or MBI, as the case may be, shall give Sonus prompt written notice of any infringement by any Third Party of any Sonus Patent as soon as possible after such infringement comes to knowledge of Chugai or MBI. Chugai and MBI (or their sublicensees, if any) shall have the right to enforce the Sonus Patents in the Territory against any Third Party, provided that such Third Party is not licensed directly or indirectly by Sonus and Sonus has elected in writing not to enforce the Sonus Patents against such Third Party. If Chugai or MBI (or their sublicensees, if any) make use of the right to enforce set forth in the preceding sentence; it shall bear all costs and expenses associated with the enforcement. Sonus shall reasonably cooperate with the enforcement efforts provided that the reasonable costs and expenses of Sonus's cooperation are promptly reimbursed by Chugai or MBI (or their sublicensees, if any).

4.2 If Chugai or MBI (or their sublicensees, if any) makes use of the right to enforce set forth in Section 4.1, it may grant a sublicense in the Territory to any or all of the Sonus Patents as part of a settlement of the dispute. Chugai or MBI (or their sublicensees, if any) also may release the infringing third party from damages on account of past infringement of the Sonus Patents. No such sublicense or release shall be effective without Sonus's prior review of the terms and written consent thereto, not to be unreasonably withheld. Sonus shall receive one-half of the royalties, payments or other consideration received on account of such a sublicense or release, payable to Sonus within twenty (20) days of such receipt. If the consideration for such a sublicense or release includes a license to Chugai or MBI (or their sublicensees, if any) of any patents covering ultrasound contrast agents or their use, Chugai or MBI (or their sublicensees, if any) shall ensure that the license also extends to Sonus with respect to the manufacture, use, sale, offer for sale or importation of Sonus Products in the Territory.

4.3 If enforcement by Chugai or MBI (or their sublicensees, if any) pursuant to the right to enforce set forth in Section 4.1 results in a judicial or administrative award in favor of Chugai or MBI (or their sublicensees, if any) on account of infringement of the Sonus Patents, Sonus shall receive one-half the amount of such award, after deduction of the reasonable costs (including reasonable attorneys' fees) of obtaining such award, payable within twenty (20) days of receipt of the proceeds of the award by Chugai or MBI (or their sublicensees, if any).

4.4 Chugai shall have the right to sublicense the Sonus Patents to its Affiliate in the Territory by giving thirty (30) days prior written notice to Sonus, provided that such Affiliate agrees in a writing, reasonably acceptable to Sonus, to be bound by all the terms of this Agreement to the same extent as Chugai.

5. COVENANTS NOT TO SUE

5.1 Chugai (and its sublicensees, if any) and MBI (and its sublicensees, if any) shall not sue or otherwise bring any type of claim against Sonus (or its direct or indirect licensees of Sonus Patents in the Territory) for infringement of any patent in the Territory on account of the manufacture, sale, marketing, use, or importation of any Sonus Product that relies on a Sonus Patent during the term of this Agreement. The covenant of the preceding sentence shall apply to any patent owned or controlled by Chugai and/or MBI at any time during the term of this Agreement, and shall bind any assignee of such

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patents or successor in interest thereto. In the event of any assignment or transfer of this Agreement by Chugai or MBI, whether by operation of law or otherwise, the covenant of this paragraph shall continue to bind both the assignor and assignee.

5.2 Sonus (and its sublicensees) shall not sue or otherwise bring any

type of claim against Chugai or MBI (or their sublicensees in the Territory) for infringement of any Sonus Patent in the Territory on account of the development, manufacture, sale, marketing, use, or importation of Optison during the term of this Agreement.

5.3 During the term of this Agreement, Chugai and MBI (and their sublicensees, if any) shall not oppose, seek the revocation of, submit prior art or observations respecting prior art, or otherwise challenge any Sonus Patent or Japanese Patent Application or Sonus' Korean patent application no. 703129/95. If Chugai or MBI has taken any such action on or before the date of this Agreement, said party will take such steps as may be necessary to retract or withdraw such action, at its own cost. During the term of this Agreement, Sonus shall not oppose, seek the revocation of, submit prior art or observations respecting prior art, or otherwise challenge any patent or patent application owned by Chugai or by MBI in the Territory relating to ultrasound contrast to the extent that the covenant not to sue set forth in Section 5.1 above applies to such patent or patent application.

5.4 The obligations of Chugai and MBI under Sections 5.1 and 5.3 are several, and, except with respect to the condition set forth in the second sentence of Section 2.1, neither of them shall be responsible for failure by the other to perform the same. Notwithstanding the foregoing, nothing in this section shall relieve either Chugai or MBI of liability for inducing or aiding the other in any breach or non-performance of obligations under this Agreement.

6. PATENT MARKING

6.1 Insofar as practical and permitted by all applicable laws and regulations, MBI and Chugai (and any sublicensees) shall place, or shall cause the manufacturer to place, appropriate patent and/or patent pending markings on an exposed surface of each unit of Optison made or sold hereunder or on the packaging thereof. The content, form, size, location and language used in such markings shall be in accordance with the laws and practices of the country where such markings are required.

7. ASSIGNMENT

7.1 This Agreement may not be assigned or transferred by either party without written consent of the other party, such consent not to be unreasonably withheld, except that either party may assign this Agreement to any successor by merger, consolidation, or sale of substantially all of its business unit (or assets relating to that business unit) to which this Agreement relates without the consent of the other party. Any attempted delegation or assignment not in accordance with this section shall be of no force or effect.

7.2 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns.

7.3 Notwithstanding the provisions of Section 7.1 above, either party may upon written notice assign this Agreement to an Affiliate, provided that no such

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assignment shall relieve the assigning party of its duties and responsibilities under this Agreement.

8. CONFIDENTIALITY

Each party agrees that the terms of this Agreement and any information provided by either party to the other hereunder shall remain confidential throughout the term of this Agreement and shall not be disclosed to any person or entity, except to a party's professional advisors without advance written permission of the other party, provided that, either party in negotiation or business with a Third Party concerning the sublicensing of patent rights pursuant to this Agreement may disclose to such Third Party, under a written confidentiality agreement, such terms of this Agreement as are reasonably necessary in order to engage in such negotiations or business, and further provided that either party may make any filings of this Agreement, subject to confidential treatment, required by law in any country. Each party further agrees that it will not issue any press release or publicity in regard to this Agreement without the advance written permission of the other party, which consent shall not be unreasonably withheld. Advance written permission will not be required when a party is ordered to disclose information concerning the Agreement by a competent tribunal, such disclosures are required by law, or disclosure is to be made to the tribunal in arbitration proceedings under section 23 below. Each party agrees that to the extent that information subject to claims of attorney-client privilege, work product, or any similar privilege or immunity is disclosed to the other pursuant to performance of this Agreement, such disclosure is intended to further the parties' common legal interests and/or joint defense and shall remain subject to such privilege or immunity to the maximum extent permitted by law.

9. TERM

This Agreement is effective as of its date recited in the first paragraph above. Unless earlier terminated as provided in section 10 of this Agreement, it shall continue in effect until the expiration of the last to expire patent among the Sonus Patents, provided that the obligation of Chugai to pay royalties under Section 3.4 shall terminate on a country-by-country basis upon the expiration of all of the Sonus Patents in each country in the Territory. As used in this Agreement, the "expiration" of a patent includes (i) irrevocable lapse for failure to pay maintenance fees or the like, (ii) final revocation of the applicable claims by a national patent office and the exhaustion or expiration of all appeals of such revocation, and (iii) final adjudication by a court of competent jurisdiction that the applicable claims of the patent are invalid or unenforceable and the exhaustion or expiration of all appeals from said adjudication.

10. DEFAULT AND TERMINATION

10.1 If any party breaches any of the material terms or conditions of this Agreement, the party claiming such breach may serve the alleged breaching party with a notice of breach specifying the acts or omissions creating such alleged breach. If the alleged breaching party fails to remedy said breach within 60 days of receipt of said notice, the party claiming breach may terminate this Agreement only to the extent related to such alleged breaching party by serving a notice of termination. Except as otherwise provided herein, termination under this Section 10.1 as to an alleged breaching party shall not affect the rights of any other non-breaching party with respect to either the party claiming breach or the alleged breaching party.

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10.2 Any notice of termination pursuant to Section 10.1 above shall be effective 30 days after receipt of such notice by the non-terminating party, unless before the expiration of said 30 day period, the non-terminating party requests or shall have requested arbitration pursuant to Section 23 of this Agreement, in which event this Agreement shall not terminate until after the conclusion of such arbitration, and then only if and to the extent not inconsistent with any award rendered in such arbitration.

10.3 It is the intention and desire of the parties hereto that the licenses and covenants not to sue granted hereunder shall survive any insolvency or bankruptcy of any party, and that a trustee of any party, or such party as debtor-in-possession, or other competent bankruptcy authority shall give full force and effect to the provisions of this Agreement and the licenses and covenants not to sue granted hereunder. In the event that, pursuant to the U.S. Bankruptcy Code or any amendment or successor thereto (the "Code"), a trustee in bankruptcy of any party, , or such party as debtor-in-possession, may reject or deny this Agreement, the other parties may retain and use the licenses and covenants not to sue granted hereunder in accordance with the Code. Failure by any party to assert its rights or to retain its benefits pursuant to the Code under an executory contract rejected by a trustee or party as debtor-in-possession shall not be construed as a termination of this Agreement by the other parties to this Agreement ("Nonbankrupt Parties") under the Code. If a trustee or party as debtor-in-possession is permitted to assume this Agreement and does so and, thereafter, desires to assign this Agreement to a third party, which assignment satisfies the requirements of the Code, the trustee or debtor-in-possession, as the case may be, shall notify the Nonbankrupt Parties of same in writing. Said notice shall set forth the name and address of the proposed assignee, the proposed consideration for the assignment and all other relevant details thereof. The giving of such notice shall be deemed to constitute the grant to each of the Nonbankrupt Parties of an option to have this Agreement assigned to it or to its designee for such consideration, or its equivalent in money, and upon such terms as are specified in the notice. The aforesaid option may be exercised only by written notice by the Nonbankrupt Parties to the trustee or debtor-in-possession, as the case may be, within 15 days of receipt of the notice of the proposed transaction. If a Nonbankrupt Party fails to accept the terms within the said exercise period, the party giving notice may complete the assignment referred to in its notice, but only if such assignment is to the entity named in said notice and for the consideration and upon the terms specified therein.

10.4 Nothing contained herein shall be deemed to preclude or impair any rights that a Nonbankrupt Party may have as a creditor in any bankruptcy proceeding.

11. CHOICE OF LAW; CHOICE OF FORUM

This Agreement shall be construed and interpreted in accordance with the laws of the State of Washington without reference to its choice of law principles. As provided in section 23 of this Agreement, any dispute between the parties related to or arising out of this Agreement, the parties' relationship

created hereby, and/or the negotiations for and entry into this Agreement including any dispute concerning its conclusion, binding effect, amendment, coverage, or termination, shall be submitted to and resolved by arbitration. If, however, any such dispute is not subject to arbitration under section 23 of this Agreement, the state and federal courts located in King County, Washington State, shall have non-exclusive jurisdiction of such dispute. The parties expressly submit to the personal jurisdiction of such courts for any action described in this section 11, agree that such courts provide a convenient forum for any such action, and waive any objections or

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challenges to venue. Each party agrees to accept service of process in the manner provided in Section 24 below in connection with any judicial proceedings provided in this paragraph. In any judicial proceeding brought under this paragraph, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other expenses.

12. ENTIRE AGREEMENT; NO ORAL MODIFICATIONS; WAIVER

12.1 This Agreement contains the entire understanding and agreement between Chugai, MBI, and Sonus with respect to the subject matter hereof, and supersedes all prior oral or written understandings and agreements relating thereto. Neither party shall be bound by any conditions, definitions, warranties, understandings, or representations concerning the subject matter hereof except as are (i) provided in this Agreement or (ii) duly set forth on or after the date of this Agreement in a written instrument subscribed by an authorized representative of the party to be bound thereby.

12.2 Each party has relied solely on its own evaluation of the subject matter in deciding to enter into this Agreement, and has not been induced to enter into this Agreement by any statements, promises, or representations of the other party, nor has it relied on any such statements, promises, or representations.

12.3 No waiver by either party, whether express or implied, of any provision of this Agreement, or of any breach or default thereof, shall constitute a continuing waiver of such provision or of any other provision of this Agreement. Either party's acceptance of payments by the other under this Agreement shall not be deemed a waiver of any violation of or default under any of the provisions of this Agreement.

13. RELATIONSHIP OF THE PARTIES

Nothing herein contained shall be construed to constitute the parties hereto as partners or as joint venturers, or any party as agent or employee of another. No party shall take any action that purports to bind the other.

14. SEVERABILITY

If any provision or any portion of any provision of this Agreement shall be held to be void or unenforceable (or a formal indication to that effect is communicated by any competent authority), the parties shall in good faith negotiate valid substitute provisions which reflect, as closely as reasonably practicable, their commercial intentions as set out herein. Subject thereto, the remaining provisions of this Agreement and the remaining portion of any provision held void or unenforceable in part shall continue in full force and effect.

15. CONSTRUCTION

This Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing this Agreement to be drafted. If any words or phrases in this Agreement shall have been stricken out or otherwise eliminated, whether or not any other words or phrases have been added, this Agreement shall be construed as if those words or phrases were never included in this Agreement, and no implication or inference shall be drawn from the fact that the words or phrases were so stricken out or otherwise eliminated.

*Confidential portions omitted and filed separately with the Commission.

16. HEADINGS

The captions and headings appearing in this Agreement are inserted for convenience and reference only and in no way define, limit or describe the scope or intent of this Agreement or any of the provisions thereof.

17. BOOKS AND RECORDS; AUDITS

17.1 Each of Chugai and MBI (and their sublicensees, if any) shall prepare and maintain, in accordance with generally accepted accounting principles, complete and accurate books of account and records covering all sales, receipts, payments, and other transactions relating to this Agreement. Sonus may appoint an independent certified public accountant, recognized nationally in the United States and approved by Chugai and MBI (such approval not to be unreasonably withheld), to inspect and audit such books and records with respect to the subject matter and terms of this Agreement. Such audits shall be conducted during regular business hours, nor more than once per year (nor more than three years after termination of this Agreement) at the expense of the party requesting the audit (except as provided in Section 17.2 below). The auditors may inspect and copy all such books of account and records in the possession or under the control of the party being audited, but shall maintain such information in confidence provided that the auditor may report its findings (but not underlying data) to the party requesting the audit. All such books of account, records, and documents shall be kept available by each party for at least three years after the end of the quarter to which they relate.

17.2 If as a result of any audit of books and records it is shown that payments under this Agreement were less than the amount that should have been paid, all payments required to be made to eliminate such underpayment shall be made promptly upon the Sonus's demand therefor. If the discrepancy is in an amount equal to five percent (5%) or more of the amount actually paid, the audited party shall also reimburse Sonus for the reasonable costs of such audit. No claim of underpayment may be made more than three years after the Quarter in which the payments in question were initially due.

18. TAXES

Each party shall bear its own taxes resulting from royalties under this Agreement, that party's granting or receipt of licenses or sublicenses under this Agreement, or that party's other activities under this Agreement.

19. REPRESENTATIONS AND WARRANTIES OF SONUS

Sonus hereby represents and warrants that:

19.1 Sonus has the full right, power, and corporate authority to enter into this Agreement and to make the promises and grant the licenses set forth herein.

19.2 Sonus is the owner of all right, title, and interest in and to the Sonus Patents and the Sonus Japanese Patent Applications.

19.3 Sonus is not party to any other agreement the terms of which (i) conflict with the covenants and obligations of Sonus under this Agreement or the rights granted by Sonus to Chugai and MBI under this Agreement or (ii) diminish, limit, or impair the

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rights granted by Sonus to Chugai and MBI in this Agreement or the ability of Sonus to perform its covenants and obligations under this Agreement.

19.4 The development, manufacture, use, sale or importation of Optison in the Territory do not constitute infringement of any patent or patent application owned by Sonus from time to time in the Territory other than the Sonus Patents.

20. REPRESENTATIONS AND WARRANTIES OF CHUGAI

Chugai hereby represents and warrants that:

20.1 Chugai has the full right, power, and corporate authority to enter into this Agreement and to make the promises and grant the covenants not to sue set forth herein.

20.2 Chugai is not party to any other agreement the terms of which (i) conflict with the covenants and obligations of Chugai under this Agreement or the rights granted by Chugai to Sonus under this Agreement or (ii) diminish limit, or impair the rights granted by Chugai to Sonus in this Agreement or the ability of Chugai to perform its covenants and obligations under this Agreement.

20.3 No consent or approval of any Japanese governmental or regulatory agency is required for this Agreement to be fully effective and enforceable.

21. REPRESENTATIONS AND WARRANTIES OF MBI

MBI hereby represents and warrants that:

21.1 MBI has the full right, power, and corporate authority to enter

into this Agreement and to make the promises and grant the covenants not to sue set forth herein.

21.2 MBI is not party to any other agreement the terms of which (i) conflict with the covenants and obligations of MBI under this Agreement or the rights granted by MBI to Sonus under this Agreement or (ii) diminish limit, or impair the rights granted by MBI to Sonus in this Agreement or the ability of MBI to perform its covenants and obligations under this Agreement.

22. RECORDING

Neither party shall record this Agreement or any abstract hereof in any patent office or public recording office. Provided, however, that each party shall be permitted to record abstracts or short forms of its licenses under the other's licensed patents in the European Patent Office, U.S. Patent and Trademark Office, and any other national patent office. Each party shall execute and deliver to the other any documents required for such recording.

23. ARBITRATION

All disputes between the parties related to or arising out of this Agreement, the parties' relationship created hereby, and/or the negotiations for and entry into this Agreement, including any dispute concerning its conclusion, binding effect, amendment, coverage, or termination, shall be resolved, to the exclusion of the ordinary courts, by

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binding arbitration. Arbitration shall proceed in accordance with the CPR Rules for Non-Administered Arbitration of International Disputes in effect on the date of this Agreement. The arbitrator, shall be mutually agreed by the parties to the arbitration, or selected in accordance with the above rules, provided however that such arbitrator must be a retired judge of a U.S. federal or state trial or appeal court of record. The decision of the arbitrator shall be final, and the parties waive all challenge of the award. The venue of any such proceeding shall be in a location in the United States to be chosen by the party against whom the proceeding is initiated. All proceedings shall be conducted in the English language. The prevailing party in such arbitration shall be entitled to recover its reasonable attorneys' fees and expenses.

24. NOTICES

All reports, approvals, requests, demands and notices required or permitted by this Agreement to be given to a party (hereafter "Notices") shall be in writing. Notices shall be hand delivered, sent by certified or registered mail, return receipt requested, or sent via a reputable private express service which requires the addressee to acknowledge receipt thereof. Notices may also be transmitted by fax, provided that a confirmation copy is also sent by one of the above methods. Except as otherwise provided in this Agreement, notices shall be effective upon dispatch unless sent by mail, in which case they shall be effective five days after mailing. Notices shall be sent to the party concerned as follows (or at such other address as a party may specify by notice to the other):

As to Chugai:

Chugai Pharmaceutical Co., Ltd.
1-9 Kyobashi 2-Chome
Chuo-ku
Tokyo 104-8301
Japan
Fax: 011 81 3 3281 6610
Attention: Dr. Hiroyuki Ohta

As to MBI:

Molecular Biosystems, Inc.
10030 Barnes Canyon Road
San Diego, CA 92121-2789
USA
Fax: 858-625-3906
Attention: Mr. Bobba Venkatadri

As to Sonus:

Sonus Pharmaceuticals, Inc.
22026 20th Avenue S.E.
Bothell, Washington 98021
USA
Fax: 206-489-0626
Attention: President

*Confidential portions omitted and filed separately with the Commission.

With a copy to:

Gary N. Frischling, Esq.
Irell & Manella LLP
1800 Avenue of the Stars, Suite 900
Los Angeles, CA 90067-4276
Fax: 310-203-7199

25. PAYMENTS; PARTIAL PAYMENTS; INTEREST; CURRENCY

25.1 Each party may accept partial payments from the other of any amount due under this Agreement without prejudice to any claim for the balance owed. The acceptance of any payments or checks marked "Payment in Full" or otherwise shall be without prejudice and such notations shall be of no effect.

25.2 Any payments not made when due shall bear interest from the due date until the date of payment at the rate which is the lower of (i) two percentage points above the one-month London Interbank Offering Rate in effect on the due date or (ii) the highest rate permitted by applicable law.

25.3 All payments required by this Agreement shall be made by wire transfer to the institution and account designated in writing for receipt of such payments by each party.

25.4 All payments required by this Agreement shall be made in U.S. dollars. When conversion of currency is required to render a statement under Section 3.5 of this Agreement, the conversion shall be made at the rate in effect on the last business day of the Quarter to which such statement relates. The conversion rates shall be the Tokyo foreign exchange mid-range rates quoted by Sumitomo Bank.

*Confidential portions omitted and filed separately with the Commission.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

CHUGAI PHARMACEUTICAL CO., LTD.

By: /s/ Motoo Ueno

Motoo Ueno
Senior Vice President
Member of the Board of Directors

MOLECULAR BIOSYSTEMS, INC.

By: /s/ Howard D. Dittrich, M.D.

Howard C. Dittrich, M.D.
Executive Vice President

SONUS PHARMACEUTICALS, INC.

By: /s/ Michael A. Martino

Michael A. Martino
President and CEO

*Confidential portions omitted and filed separately with the Commission.

EXHIBIT 10.46

TERMINATION AGREEMENT

This TERMINATION AGREEMENT (the "Termination Agreement") is made as of this 14th day of December 2000, by and between SONUS PHARMACEUTICALS, INC., a Delaware corporation ("Sonus") and ABBOTT LABORATORIES, an Illinois corporation ("Abbott").

R E C I T A L S

A. Abbott and Sonus previously entered into that certain QW3600 Contrast Agent Development and Supply Agreement dated May 6, 1993, as amended by (i) an Amendment dated August 22, 1995, (ii) an Amendment 1 dated May 29, 1996, (iii) Amendment 2 dated May 15, 1997 and (iv) a letter agreement dated February 3, 2000 (collectively, the "Supply Agreement").

B. Abbott and Sonus desire to terminate the Supply Agreement and to set forth herein all of the outstanding obligations of either party to the other.

NOW, THEREFORE, in consideration of the foregoing and the mutual terms and conditions hereinafter set forth, Sonus and Abbott agree as follows:

1. TERMINATION OF SUPPLY AGREEMENT. The Supply Agreement is hereby terminated effective upon the date hereof. Except as otherwise specifically provided herein, neither party shall have any further duty, liability or obligation to the other party in connection with the Supply Agreement.

2. OWNERSHIP OF EQUIPMENT AND OTHER PERSONAL PROPERTY. Abbott shall retain possession and full and complete title to all equipment, tooling and other personal property relating to the development and manufacture of the Product and/or the Trays (as such terms are defined in the Supply Agreement) pursuant to the Supply Agreement, including without limitation all manufacturing equipment, tooling, inventory, raw materials, work in process and materials and supplies related thereto (except for the Product and Sonus raw materials to be delivered to Sonus as provided in Section 3 below), and Sonus hereby confirms that it has no right, title and interest in and to any such equipment, tooling, inventory, raw materials, work in process or materials or supplies.

3. OUTSTANDING OBLIGATIONS.

(a) The outstanding obligations of Sonus to Abbott shall consist solely of (i) the obligation of Sonus to pay Abbott Twenty Four Thousand Dollars ($24,000.00) pursuant to Abbott invoice number 319008 for labeling development; (ii) the obligation of Sonus to pay Abbott for the Product in the amount of Ninety Three Thousand Four Hundred Sixty Five Dollars and Forty Nine Cents ($93,465.49) in the quantities specified in Sonus purchase order 200427; and (iii) the obligation of Sonus to pay Abbott Twenty Six Thousand Six Hundred Seventy Six Dollars and Fifty Nine Cents ($26,676.59) for commodities purchased pursuant to purchase order 200427, provided, however, that Abbott shall retain possession and full and complete title to such commodities. Sonus shall pay to Abbott Twenty Four Thousand Dollars ($24,000.00) pursuant to clause (i) above, Ninety Three Thousand Four Hundred Sixty Five and Forty Nine Cents ($93,465.49) pursuant to clause (ii)

above, and Twenty Six Thousand Six Hundred Seventy Six Dollars and Fifty Nine Cents ($26,676.59) pursuant to clause (iii) above within thirty (30) days following delivery of the Product and Sonus raw materials pursuant to paragraph 3(b) below. Except as expressly provided above, Sonus shall have no further duty, liability or obligation to Abbott.

(b) The outstanding obligations of Abbott to Sonus shall consist solely of the obligation of Abbott to deliver to Sonus (i) the Product referred in clause (ii) of paragraph (a) above, and (ii) the DDFP and PEG Telomer B raw materials on hand which were previously supplied by Sonus to Abbott. Abbott shall deliver to Sonus such Product and Sonus raw materials at the Bothell, Washington headquarters of Sonus promptly, but in any event within (30) days, following execution and delivery of the executed Termination Agreement to Abbott. Such delivery shall be F.O.B. Abbott's manufacturing site and Sonus shall be responsible for all freight charges, risk of loss, or damage after delivery by Abbott to the carrier at such F.O.B. point.

4. MUTUAL RELEASE. Each of Abbott on behalf of itself and its representatives, officers, directors, successors, assigns and agents on the one hand, and Sonus on behalf of itself and its representatives, officers, directors, successors, assigns and agents on the other hand, do hereby fully release forever discharge the other party and its representatives, officers, directors, successors, assigns and agents of and from any and all manner of actions, suits, liens, debts, damages, claims, obligations, liabilities and demands of every nature, kind and description whatsoever, whether known or

unknown and whether suspected or unsuspected, either at law, in equity or otherwise, which such party has, has had or may have or may claim to have, against the other party, its representatives, officers, directors, successors, assigns or agents. The parties intend that the foregoing shall be a general mutual release and shall extend to all claims which the other party does not know of or suspect to exist in its favor. In connection therewith, each party waives the benefits afforded by any statute or regulation in connection therewith.

5. GENERAL.

(a) Each of the parties represents and warrant to the other party that it has not assigned or transferred to any person, corporation or other entity, any claim, liability or cause of action based on or arising out of, or in connection with any matter, claim or cause of action which is being released pursuant to the provisions of this Termination Agreement.

(b) This Termination Agreement shall be binding upon, and shall inure to the benefit of the parties hereto and their respective heirs, successors, representatives and assigns.

(c) This Termination Agreement shall be governed and construed by the laws of the State of Illinois.

(d) This Termination Agreement sets forth the entire agreement between the parties with respect to the subject matter hereof and supercedes all other agreements or understanding with respect to the subject matter hereof.

(e) The terms of this Termination Agreement may be amended, modified or eliminated only upon the mutual written agreement of the parties hereto. The waiver by either party hereto of any breach of any of the terms or provisions of this Agreement shall not be construed as a waiver of any subsequent breach.

(f) Each of the parties of this Termination Agreement represents and warrants that that the persons executing this Agreement are authorized and empowered to enter and to execute this Agreement for and on behalf of such party.

(g) This Termination Agreement may be executed in one or more counterparts, each of which shall be deemed an original all of which together shall be deemed one in the same agreement.

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

SONUS PHARMACEUTICALS, INC.

By: /s/ Michael A. Martino

Its: President and CEO

ABBOTT LABORATORIES

By: /s/ Christopher B. Begley

Its: Corporate Senior Vice President
President, Hospital Products Division

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-08626, No. 333-36093, No. 333-56933, No. 333-87897 and No. 333-49892) pertaining to the Sonus Pharmaceuticals, Inc., Incentive Stock Option, Nonqualified Stock Option, and Restricted Stock Purchase Plan-1991, 1995 Stock Option Plan for Directors, Employee Stock Purchase Plan, 1999 Nonqualified Incentive Plan and 2000 Stock Incentive Plan and to the incorporation by reference in the Registration Statement Form S-3 (no. 333-64966) of our report dated January 18, 2001, with respect to the financial statements of Sonus Pharmaceuticals, Inc. included in the Annual Report (Form 10-K/A) for the year ended December 31, 2000.

/s/ ERNST & YOUNG, LLP

Seattle, Washington
September 28, 2001