SECURITIES AND EXCHANGE COMMISSION

FORM PRE 14A

Preliminary proxy statement not related to a contested matter or merger/acquisition

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[SEQUUS LOGO]

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD SEPTEMBER 12, 1995

TO THE STOCKHOLDERS OF SEQUUS PHARMACEUTICALS, INC.:

The Annual Meeting of Stockholders of SEQUUS Pharmaceuticals, Inc. ("SEQUUS" or the "Company") will be held at the offices of the Company, 960 Hamilton Court, Menlo Park, California 94025, on September 12, 1995 at 9:00 a.m. local time, for the following purposes:

1. To elect five directors to hold office until the next annual meeting of stockholders and until their successors are elected.

2. To approve an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 35,000,000 to 45,000,000.

3. To approve amendments to the Company's 1987 Employee Stock Option Plan to increase the number of shares reserved for issuance from 3,350,000 to 5,000,000 and to impose an annual limit on the number of shares with respect to which awards may be made to any one participant.

4. To approve an amendment to the Company's 1987 Consultant Stock Option Plan to increase the number of shares reserved for issuance from 100,000 to 350,000.

5. To approve an amendment to the Company's 1990 Director Stock Option Plan to increase the number of shares reserved for issuance from 350,000 to 600,000.

6. To approve an amendment to the Company's Employee Stock Purchase Plan to increase the number of shares reserved for issuance from 150,000 to 250,000.

7. To transact such other business as properly may come before the meeting, or any adjournments or postponements of the meeting.

The matters expected to be acted upon at the meeting are further described in detail in the attached proxy statement. Only stockholders of record at the close of business on July 21, 1995 are entitled to notice of, and to vote at, the meeting and any adjournments or postponements of the meeting.

By Order of the Board of Directors,

Sally A. Davenport,
SECRETARY

Menlo Park, California
August , 1995

IMPORTANT

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE SIGN AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE IN THE ENCLOSED POST-PAID ENVELOPE. THANK YOU FOR ACTING PROMPTLY.

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SEQUUS PHARMACEUTICALS, INC.
960 HAMILTON COURT
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PROXY STATEMENT

The enclosed proxy is solicited on behalf of the Board of Directors (the "Board") of SEQUUS Pharmaceuticals, Inc., a Delaware corporation ("SEQUUS" or the "Company"). The proxy is solicited for use at the annual meeting of stockholders (the "Annual Meeting") to be held at the principal executive offices of the Company, 960 Hamilton Court, Menlo Park, California 94025, on September 12, 1995 at 9:00 a.m., local time, and at any and all adjournments or postponements thereof. The approximate date on which this proxy statement and the accompanying notice and proxy are being mailed to stockholders is August , 1995.

INFORMATION CONCERNING SOLICITATION AND VOTING

Only stockholders of record at the close of business on July 21, 1995 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. At the close of business on that date, the Company had outstanding 21,518,519 shares of Common Stock, par value $.0001 per share ("Common Stock"), and 480,000 shares of Series A Convertible Reset Preferred Stock, par value $0.01 per share ("Convertible Preferred Stock"). On all proposals to be submitted to the stockholders at the Annual Meeting, the holders of the Common Stock and Convertible Preferred Stock will vote together as a single class. Holders of Common Stock are entitled to one vote for each share of Common Stock held. Holders of Convertible Preferred Stock are entitled to 3.367 votes for each share of Convertible Preferred Stock held. In order to constitute a quorum for the conduct of business at the Annual Meeting, a majority of the outstanding shares of Common Stock and Convertible Preferred Stock (measured by the number of votes that may be cast by the holders of such shares) entitled to vote at the Annual Meeting must be represented at the Annual Meeting.

All shares represented by each properly executed, unrevoked proxy received in time for the Annual Meeting will be voted in the manner specified therein. If the manner of voting is not specified in an executed proxy received by the Company, the proxy will be voted FOR the election of the five nominees listed in the proxy for election to the Board and FOR approval of the other proposals described in this proxy statement.

Shares represented by proxies that reflect abstentions or broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Directors will be elected by a favorable vote of a plurality of the shares of voting stock present and entitled to vote, in person or by proxy, at the Annual Meeting. Accordingly, abstentions or broker non-votes as to the election of directors will not affect the election of the candidates receiving the plurality of votes. All other proposals to come before

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the Annual Meeting require the approval of a majority of the votes that could be cast by stockholders who are present or represented at the Annual Meeting. Abstentions as to a particular proposal will have the same effect as votes against such proposal. Broker non-votes, however, will be treated as unvoted for purposes of determining approval of such proposal and will not be counted as votes for or against such proposal.

Any stockholder giving a proxy in the form accompanying this proxy statement has the power to revoke the proxy prior to its exercise. A proxy can be revoked by an instrument of revocation delivered prior to the Annual Meeting to the Secretary of the Company, by presenting at the Annual Meeting a duly executed proxy bearing a later date or time than the date or time of the proxy being revoked, or at the Annual Meeting if the stockholder is present and elects to vote in person. Mere attendance at the Annual Meeting will not serve to revoke a proxy.

The expense of soliciting proxies will be borne by the Company. The solicitation will be by mail. Expenses include reimbursement paid to brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's stock. Further solicitation of proxies may be made by telephone or oral communication with stockholders by directors, officers and other employees of the Company who will not receive additional compensation for the solicitation and by Chemical Mellon Shareholder Services, whose services to the Company will include the solicitation of proxies from brokers, banks and nominees for which it will receive payment of $5,000 plus out-of-pocket expenses.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the Company's outstanding shares of Common Stock and Convertible Preferred Stock beneficially owned as of June 30, 1995 by: (i) each person who, to the best knowledge of the Company, beneficially owns more than five percent of the outstanding Common Stock or Convertible Preferred Stock; (ii) all directors; (iii) all officers named in the Summary Compensation Table below; and (iv) all directors and officers as a group. The information relating to ownership of shares is based upon information furnished to the Company. The Company believes that the beneficial owners of the Common Stock and Convertible Preferred Stock listed below, based on information supplied by such owners, have sole investment and voting power with respect to the shares of Common Stock and Convertible Preferred Stock shown as being beneficially owned by them, except as otherwise set forth in the footnotes to the table.

<TABLE>
<CAPTION>

	COMMON STOCK		CONVERTIBLE PREFERRED STOCK	
NAME AND ADDRESS	NUMBER OF SHARES (1)	PERCENT OF CLASS (1)	NUMBER OF SHARES (1)	PERCENT OF CLASS (1)
<S>	<C>	<C>	<C>	<C>
Amerindo Technology Growth Fund, Inc. .... 780 Third Avenue, Suite 3204 New York, NY 10017	2,316,786(2)	10.8%	--	--
First Interstate Bancorp .... 633 West 5th Street Los Angeles, CA 90074	1,609,100	7.5	--	--
Morgan Investment Corporation .... 902 Market Street Wilmington, DE 19801	1,500,000(3)	7.0	--	--
BT Holdings .... 130 Liberty Street New York, NY 10006	--	--	100,000	20.8%
SMALLCAP World Fund, Inc. .... 333 S. Hope Street Los Angeles, CA 90071	--	--	48,000	10.0
H&Q Healthcare Investors .... 50 Rowes Wharf Boston, MA 02110	--	--	44,000	9.2
H&Q Science Investors .... 50 Rowes Wharf Boston, MA 02110	--	--	36,000	7.5
	--	--	30,800	6.4

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West Highland Partners, L.P. .... 300 Drakes Landing Road Greenbrae, CA 94957				
Oracle Partners, L.P. .... 135 East 57th Street New York, NY 10022	--	--	29,500	6.1
Nicolaos V. Arvanitidis, Ph.D. (4)..................................	738,892(5)	3.4	--	--
Robert G. Faris..	55,691	*	--	--
I. Craig Henderson, M.D., F.A.C.P..................................	142,500	*	--	--
Richard C.E. Morgan..	643,815(6)	2.9	--	--
Robert B. Shapiro (7)..	36,100	*	--	--
L. Scott Minick..	75,000	*	--	--
E. Donnall Thomas, M.D..	42,500	*	--	--
Joseph M. Limber...	62,500	*	--	--
Richard D. Mamelok, M.D. (8)..	68,750	*	--	--
Joseph J. Vallner, Ph.D...	23,336	*	--	--
Peter V. Leigh (9)...	62,501	*	--	--
All directors and executive officers as a group (11 persons)..........	1,951,585(5)(6)	8.7	--	--

<FN>
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* Less than 1%

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(1) Includes shares subject to warrants or options exercisable within 60 days after August 29, 1995, as if such shares were outstanding on August 29, 1995, and assumes that no other person has exercised any outstanding warrants or options.

(2) Includes 314,286 shares issuable upon exercise of warrants.

(3) Includes 500,000 shares issuable upon exercise of warrants. According to Schedule 13D filed by J.P. Morgan & Co., Incorporated, J.P. Morgan & Co. Incorporated, Morgan Investment Corporation and J.P. Morgan Holdings, Inc. have shared voting and dispositive power with respect to all shares listed in the table.

(4) Dr. Arvanitidis retired as Chairman of the Board and Chief Executive Officer of the Company in June 1995.

(5) Includes 13,880 shares held for the benefit of Dr. Arvanitidis' children.

(6) Includes 565,565 shares held by Wolfensohn Associates, L.P. Mr. Morgan is a general partner of the general partner of Wolfensohn Associates, L.P. and therefore may be deemed to beneficially own such shares. Mr. Morgan disclaims beneficial ownership of such shares. Mr. Morgan shares voting and dispositive control of such shares with the other general partners of the general partner of Wolfensohn Associates, L.P.

(7) Mr. Shapiro is currently a director of the Company, but is not standing for reelection at the Annual Meeting.

(8) In April 1995, Dr. Mamelok stated his intention to resign from the Company. His resignation will not be effective until his successor is appointed.

(9) Mr. Leigh resigned as an officer of the Company in April 1995.

</TABLE>

PROPOSAL 1
ELECTION OF DIRECTORS

The Company's bylaws provide for a Board of Directors consisting of that number of directors as is authorized by the Board. Effective as of the date of the Annual Meeting, the size of the Board will be set at five. The present term of office of all directors will expire at the Annual Meeting.

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Five directors are to be elected at the Annual Meeting to serve until the next annual meeting of stockholders and until their respective successors have been elected. The nominees securing the highest number of votes, up to the number of directors to be elected, will be elected as directors. It is intended that proxies received will be voted FOR the election of the nominees named below unless marked to the contrary. In the event any such person is unable or unwilling to serve as a director, proxies may be voted for substitute nominees designated by the present Board. The Board has no reason to believe that any of the persons named below will be unable or unwilling to serve as a director if elected.

All five nominees are currently serving as directors of the Company. Four of the Company's five nominees for election to the Board were elected to their present term by the stockholders of the Company. Mr. Minick was elected to the Board of Directors by the existing Board members in July 1995.

INFORMATION CONCERNING THE NOMINEES

The following table indicates the name and age of each nominee as of the date of this proxy statement, all positions with the Company held by the nominee, and the year during which the nominee first was elected or appointed a director.

NAME	AGE	POSITION WITH SEQUUS	DIRECTOR CONTINUOUSLY SINCE
I. Craig Henderson, M.D., F.A.C.P.	53	Chairman of the Board and Chief Executive Officer	1993
L. Scott Minick	43	President, Chief Operating Officer and Director	1995
Robert G. Faris (1)(2)	56	Director	1985
Richard C.E. Morgan (1)(2)	50	Director	1990
E. Donnall Thomas, M.D.	74	Director	1993

- ------------------------

(1) Member of the Compensation and Plan Committee of the Board.

(2) Member of the Audit Committee of the Board.

I. CRAIG HENDERSON, M.D., F.A.C.P. has been Chief Executive Officer of SEQUUS since June 1995 and Chairman of the Board since July 1995 and has served as a director of the Company since July 1993. Since July 1995, Dr. Henderson has been an Adjunct Professor of Medicine at University of California, San Francisco. From 1992 until July 1995, he served as Professor of Medicine, Chief of Medical Oncology and Director of Clinical Cancer Programs at the University of California, San Francisco. From 1974 to 1992, Dr. Henderson held an academic appointment at Harvard Medical School, most recently as Associate Professor of Medicine. Dr. Henderson founded the Breast Evaluation Center at the Dana-Farber Cancer Institute in 1980 and served as its director until 1992. He received an M.D. degree from Columbia University.

L. SCOTT MINICK has been President and Chief Operating Officer of the Company since June 1995 and a director of the Company since July 1995. From 1994 to 1995, he served as a director, Interim President and Chief Executive Officer of Oncotherapeutics, Inc. Before that, Mr. Minick was a director, President and Chief Executive Officer of LXR Biotechnology, Inc. From 1981 to 1993, he was an executive of Baxter Healthcare, Inc., most recently as President of the Pacific Rim/Latin America Division of Baxter Diagnostics.

ROBERT G. FARIS has served as a director of the Company since March 1985. Since 1990, he has been President, Chief Executive Officer and a director of the Polish American Enterprise Fund which invests U.S. government funds in Poland. From 1971 to 1987, he served as President of Alan Patricof Associates, Inc., an investment advisor to venture capital partnerships, and from 1987 to 1990, Mr. Faris was a private investor.

RICHARD C.E. MORGAN has served as a director of the Company since May 1990. Since 1986, he has been a general partner of Wolfensohn Partners, L.P., a venture capital limited partnership, and the general partner of Wolfensohn Associates, L.P. From 1984 to 1986, he served as an executive of James D. Wolfensohn, Inc., and from 1977 to 1984, he served as General Manager of The Schroder Strategy Group and director of J. Henry Schroder Wagg & Co. Ltd. (London). He is a director of Lasertechnics, Inc., Celgene Corporation and Quidel Corporation.

E. DONNALL THOMAS, M.D. has served as a director of SEQUUS since July 1993. Dr. Thomas currently is Professor Emeritus of Medicine, University of Washington School of Medicine in Seattle and a member of the Fred Hutchinson Cancer

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Research Center in Seattle. Dr. Thomas previously served, from 1974 to 1989, as Director of Medical Oncology and Director of Clinical Research Programs at the Fred Hutchinson Cancer Research Center and, from 1963 to 1985, he headed the Division of Oncology at the University of Washington School of Medicine in Seattle. Dr. Thomas received the Nobel Prize in Medicine and the Presidential Medal of Science in 1990. He received an M.D. degree from Harvard Medical School.

The Company is not aware of any family relationships among any of the foregoing directors and its executive officers.

BOARD AND COMMITTEE MEETINGS

The Board met four times during 1994. No incumbent director participated in fewer than 75% of the total number of meetings of the Board and all committees of the Board on which he served that were held during the period he served on the Board or such committees.

The Compensation and Plan Committee did not meet during 1994. The function of the Compensation and Plan Committee is to review and to recommend to the Board management compensation and to administer the Company's stock option plans. During 1994, the Board as a whole reviewed and approved management compensation issues and administered the Company's stock option plans. Dr. Nicolaos V. Arvanitidis, who was Chief Executive Officer and Chairman of the Board until his retirement in June 1995, abstained with respect to the adoption of resolutions pertaining to his compensation and stock option grants. See "Report of Board of Directors on Executive Compensation" below.

The Audit Committee met twice during 1994. The function of the Audit Committee is to recommend to the Board the firm of independent accountants to serve the Company, to review the scope, fees and results of the audit by the independent accountants and to review the internal control procedures of the Company.

The Board does not have a nominating committee.

DIRECTOR COMPENSATION

The Company pays each non-employee director a consulting fee for serving as a director of the Company. During the fiscal year ended December 31, 1994, the Company paid consulting fees of $10,000 to each of Messrs. Faris, Morgan and Shapiro in consideration of their services as directors of the Company and $22,000 to Dr. Thomas and $78,750 to Dr. Henderson in consideration of their services as directors and consultants to the Company. In addition, the Company grants non-employee directors stock options under its 1990 Director Stock Option Plan (the "1990 Director Plan"). Under the 1990 Director Plan, each non-employee director of the Company is entitled to receive an automatic nondiscretionary grant of nonqualified stock options to purchase 25,000 shares of Common Stock on such director's first election to the Board. Each eligible director receives, in each calendar year, an

automatic nondiscretionary grant of nonqualified stock options to purchase an additional 5,000 shares of Common Stock on the third business day following the release to the public of the Company's annual financial results; provided, however, that a one-time grant of options to purchase 12,500 shares rather than 5,000 shares was made in 1992 for eligible incumbent non-employee directors and will be made to eligible newly elected non-employee directors on the date of the first annual grant date following his or her election to the Board. No eligible director may receive stock options to purchase more than an aggregate of 50,000 shares under the 1990 Director Plan. Messrs. Faris, Morgan and Shapiro have each received options to purchase 50,000 shares of Common Stock under the 1990 Director Plan. The exercise price for shares subject to stock options granted under the 1990 Director Plan is equal to the fair market value on the grant date. Stock options are exercisable immediately and generally expire ten years from the date of grant. See "Proposal 5 -- Adoption of Amendment to the 1990 Director Stock Option Plan."

During 1994, Dr. Arvanitidis, who served as Chairman of the Board and Chief Executive Officer until his retirement in June 1995, did not receive any compensation from the Company for services rendered as a director beyond what he received for services as an officer of the Company. The cash and other compensation paid by the Company to Dr. Arvanitidis for services as an officer of the Company during the fiscal year ended December 31, 1994 is set forth under the caption "Executive Compensation" below.

EXECUTIVE COMPENSATION

The following table sets forth information regarding compensation for the fiscal years ended December 31, 1992, 1993 and 1994 received by the Company's Chief Executive Officer and the four other most highly paid executive officers who served as executive officers at fiscal year end (the "Named Officers").

SUMMARY COMPENSATION TABLE

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NAME AND PRINCIPAL POSITION AS OF DECEMBER 31, 1994	YEAR	ANNUAL COMPENSATION SALARY($)	BONUS($)(1)	OTHER ANNUAL COMPENSATION($)	LONG TERM COMPENSATION AWARDS OPTIONS(#)	ALL OTHER COMPENSATION($)(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nicolaos V. Arvanitidis,	1994	250,008	125,000	0	267,975(3)	3,750
Ph.D.	1993	240,504	93,753	0	89,325	4,497
Chairman of the Board	1992	219,420	142,065	0	0	2,182
and Chief Executive Officer (4)(5)						
Joseph M. Limber	1994	128,400	37,615	0	52,500	3,744
Executive Vice President	1993	121,637	20,865	0	0	3,121
	1992	87,907	7,000	0	60,000	0
Richard Mamelok, M.D.	1994	184,056	47,866	0	37,500	3,750
Vice President and Medical	1993	177,624	29,909	0	0	4,451
Director (6)	1992	56,960	3,584	0	75,000	0
Peter V. Leigh	1994	135,192	21,416	0	37,500	3,750
Vice President and Chief	1993	132,600	23,139	0	0	3,315
Financial Officer (7)	1992	70,421	8,126	0	75,000	0
Joseph J. Vallner, Ph.D.	1994	142,392	39,456	0	90,000(3)	2,136
Senior Vice President for	1993	134,196	21,968	0	20,000	1,992
Research and Development	1992	113,000	12,600	0	60,000	0

<FN>

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(1) The bonus amounts earned in 1993 were paid in February and March 1994. The bonus amounts earned in 1994 were paid in April 1995.

(2) The compensation shown in this column reflects the Company's matching contributions for the employee to the Company's voluntary salary reduction plan qualified under Section 401(k) of the Internal Revenue Code. Such matching contributions consisted of Common Stock.

(3) The 267,975 options granted to Dr. Arvanitidis and 60,000 of the 90,000 options granted to Dr. Vallner represent options repriced in September 1994. See "Report on Repricing of Stock Options" below.

</TABLE>

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(4) The bonus amounts paid to Dr. Arvanitidis for 1992 include (a) a bonus award for 1991 of $103,950 paid in January 1992 and (b) a bonus award for 1992 of $38,115 paid in December 1992.

(5) Dr. Arvanitidis retired as Chairman of the Board and Chief Executive Officer of the Company in June 1995.

(6) In April 1995, Dr. Mamelok stated his intention to resign from the Company. His resignation will not be effective until his successor is appointed.

(7) Mr. Leigh resigned as an officer of the Company in April 1995.

</TABLE>

The following table sets forth further information regarding the grants of stock options during the fiscal year ended December 31, 1994 to the Named Officers. Since inception, the Company has not granted any stock appreciation rights.

OPTION GRANTS IN LAST FISCAL YEAR

<TABLE>
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NAME	INDIVIDUAL GRANT OPTIONS GRANTED (#)(1)	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1994 (%)	EXERCISE OR BASE PRICE ($/SHARE)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2) 5%($)	10%($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nicolaos V. Arvanitidis, Ph.D. (4)	267,975(3)	17.13%	$6.75	6/26/00	$ 499,747	$1,104,310
Joseph M. Limber	52,500	3.36	7.75	6/14/04	255,882	648,454
Richard Mamelok, M.D. (5)	37,500	2.40	6.75	10/21/96	25,945	53,156
Peter V. Leigh (6)	37,500	2.40	7.75	6/16/96	29,789	61,031
Joseph J. Vallner, Ph.D.	30,000	1.92	7.75	6/14/04	146,218	370,545
	60,000(3)	3.84	6.75	9/13/04	254,702	645,466

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(1) Except as noted in footnote 3, options included in this table are exercisable immediately upon grant; however, the Company retains a right to

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repurchase shares subject to such options at the exercise price in the event the employee becomes no longer employed by the Company. Such right of repurchase lapses over a designated period of the recipient's service to the Company (generally, four years with respect to initial grants and three years with respect to subsequent grants). In the event of the sale of the Company or substantially all of the assets or stock thereof to another entity, or a merger in which the Company is not the surviving entity, the Company's right of repurchase with respect to all shares subject to then outstanding options shall expire at least 15 days prior to the effectiveness of such transaction.

(2) Potential realizable value is based on the assumption that the market price of the stock appreciates at the stated rate, compounded annually, from the date of grant until the end of the option term. These values are calculated based on requirements promulgated by the Securities and Exchange Commission and do not reflect the Company's estimate of future stock price appreciation.

(3) These represent options that were repriced in September 1994. The repriced options vest over three years following the offer date, one third on the first anniversary of the repricing date, with the remaining two-thirds vesting ratably on a quarterly basis over the subsequent two years. However, none of the repriced options is exercisable until the earlier of (i) such date as the U.S. Food and Drug Administration ("FDA") approves the New Drug Application ("NDA") filed by the Company for DOXIL-Registered Trademark- (pegylated liposomal doxorubicin HCI) Injection or (ii) September 12, 1999, and only if the employee has been employed continuously by the Company at the time of such satisfaction of either such requirement. See "Report on Repricing of Stock Options" below.

(4) Dr. Arvanitidis retired as Chairman of the Board and Chief Executive Officer of the Company in June 1995. The options in this table originally had an expiration date of September 13, 2004. As part of Dr. Arvanitidis' severance arrangement, he has until June 26, 2000 to exercise these options. See "Employment and Severance Agreements" below.

(5) In April 1995, Dr. Mamelok stated his intention to resign from the Company. His resignation will not be effective until his successor is appointed. The options in this table originally had an expiration date of September 13, 2004. As part of Dr. Mamelok's severance arrangement, he has until October 16, 1996 to exercise these options. See "Employment and Severance Agreements" below.

(6) Mr. Leigh resigned as an officer of the Company in April 1995. The options in this table originally had an expiration date of June 14, 2004. As part of Mr. Leigh's severance arrangement, he has until June 16, 1996 to exercise these options. See "Employment and Severance Agreements" below.

</TABLE>

The following table sets forth information regarding options exercised by the Named Officers during fiscal 1994 and the number and value of unexercised options held at fiscal year-end.

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUES IN LAST FISCAL YEAR

<TABLE>
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NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)	NUMBER OF UNEXERCISED OPTIONS HELD AT FISCAL YEAR END(#) EXERCISABLE	UNEXERCISABLE (2)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR END($)(1) EXERCISABLE	UNEXERCISABLE (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nicolaos V. Arvanitidis Ph.D.(3)	--	--	177,299	267,975	$ 911,719	--
Joseph M. Limber	--	--	30,000	82,500	--	--
Richard D. Mamelok, M.D. (4)	--	--	50,000	62,500	--	--
Peter V. Leigh (5)	--	--	37,500	75,000	--	--
Joseph J. Vallner, Ph.D	--	--	10,001	99,999	--	--

<FN>

(1) Based on the difference between the exercise price and the per share closing price of the Common Stock on the Nasdaq National Market on December 30, 1994 ($6.44).

(2) Generally, options granted to employees are exercisable immediately upon grant; however,the Company retains a right to repurchase shares subject to such options at the exercise price in the event the employee becomes no longer employed by the Company. Such right of repurchase lapses over a designated period of the recipient's service to the Company. The shares listed in the columns labeled "unexercisable" are shares subject to the Company's right of repurchase. Options repriced in September 1994 are subject to special restrictions on exercisability. See "Report on Repricing of Stock Options" below.

(3) Dr. Arvanitidis retired as Chairman of the Board and Chief Executive

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Officer of the Company in June 1995.

(4) In April 1995, Dr. Mamelok stated his intention to resign from the Company. His resignation will not be effective until his successor is appointed.

(5) Mr. Leigh resigned as an officer of the Company in April 1995.
</TABLE>

REPORT ON REPRICING OF STOCK OPTIONS

In September 1994, the Board, with Dr. Arvanitidis abstaining, adopted a "stock option swap" program, which the Board believed was necessary and prudent in order to retain the long-term incentive associated with potential stock price appreciation and thus value of stock options to all employees, including executive officers of the Company.

The Company offered all employees, including executive officers, who held options with an exercise price of $9.25 or greater the opportunity to exchange those options for new options with an exercise price of $6.75 (the fair market value on the date of repricing). Repriced options will "vest" one-third on September 13, 1995 and the remaining two-thirds ratably on a quarterly basis over the following two years, all based on continued employment by the Company on such "vesting" date (where "vesting" is determined by the lapse of the Company's right of repurchase). Notwithstanding the vesting requirement, no repriced option may be exercised until the earlier of (i) such date as the FDA approves the DOXIL NDA or (ii) September 12, 1999, as based on continued employment by the Company at the time of satisfaction of either such requirement.

Options repriced from May 19, 1987, the date of the Company's initial public offering, through the period ended December 31, 1994 for each of the Named Officers and other executive officers employed by the Company on December 31, 1994 are listed in the following table:

TEN YEAR OPTION REPRICINGS

<TABLE>
<CAPTION>

NAME AND POSITION	DATE	NUMBER OF SECURITIES UNDERLYING OPTIONS REPRICED OR AMENDED (#)	MARKET PRICE OF STOCK AT TIME OF REPRICING OR AMENDMENT ($)	EXERCISE PRICE AT TIME OF REPRICING OR AMENDMENT ($)	NEW EXERCISE PRICE($)	LENGTH OF ORIGINAL OPTION TERM REMAINING AT DATE OF REPRICING OR AMENDMENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nicolaos V. Arvanitidis, Ph.D.	9/13/94	89,325	$ 6.75	$ 12.50	$ 6.75	9.23 years
Chairman of the Board and Chief	9/13/94	178,650	6.75	18.875	6.75	7.25 years
Executive Officer(1)						
Joseph J. Vallner, Ph.D	9/13/94	60,000	6.75	12.00	6.75	7.57 years
Senior Vice President, Research						
and Development						
Sally A. Davenport	9/13/94	8,838	6.75	12.50	6.75	9.23 years
Secretary	9/13/94	17,675	6.75	18.875	6.75	7.25 years
Carl F. Grove	9/13/94	18,529	6.75		6.75	9.23 years
Vice President for Regulatory	9/13/94	35,618	6.75	12.50	6.75	7.25 years
Affairs	1/9/89	5,000	2.50	18.875	3.00	8.25 years
				4.25		
Anthony A. Huang, Ph.D.	9/13/94	10,581	6.75	12.50	6.75	9.23 years
Vice President of Product	9/13/94	15,873	6.75	9.25	6.75	7.25 years
Development						
Francis J. Martin, Ph.D	9/13/94	23,121	6.75	12.50	6.75	9.23 years
Vice President and Chief	9/13/94	46,243	6.75	18.875	6.75	7.25 years
Scientist	1/9/89	5,000	2.50	4.25	3.00	8.25 years
Donald J. Stewart	9/13/94	13,640	6.75	12.50	6.75	9.23 years
Vice President, Finance	9/13/94	27,280	6.75	18.875	6.75	7.25 years
	1/9/89	5,000	2.50	4.25	3.00	8.25 years
Peter K. Working, Ph.D.	9/13/94	33,750	6.75	9.25	6.75	7.32 years
Vice President of Preclinical						
Research						

<FN>

(1) Dr. Arvanitidis resigned as Chairman of the Board and Chief Executive Officer in June 1995.
</TABLE>

Board of Directors (1)

-- Robert G. Faris
-- I. Craig Henderson, M.D., F.A.C.P.
-- Richard C.E. Morgan

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-- Robert B. Shapiro
-- E. Donnall Thomas, M.D.

- ------------------------

(1) Mr. Shapiro is not standing for reelection at the Annual Meeting. Mr. Minick was elected to the Board in July 1995, subsequent to the repricing of the options.

REPORT OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

During fiscal 1994, management compensation issues were reviewed by the Board as a whole, with Dr. Arvanitidis abstaining with respect to the adoption of resolutions pertaining to his compensation. The Board has a Compensation and Plan Committee, the function of which is to review and recommend to the Board management compensation and to administer the Company's stock option plans. The Committee did not meet during 1994.

The Company believes that its ability to achieve the objectives of obtaining regulatory approval for and commercializing its leading pharmaceutical products, AMPHOTEC-TM- (amphotericin B colloidal dispersion) Injection and DOXIL, and becoming profitable, is dependent in large part upon the ability to recruit and retain qualified executives with substantive experience in the development, regulatory approval, manufacture, marketing and sale of new pharmaceutical products. The Company is competing for experienced executives within the San Francisco Bay Area, where an estimated 85 to 100 biotechnology/biomedical/pharmaceutical companies are located. Due to the high cost of housing relative to other parts of the country, and the correspondingly substantial relocation expenses for out-of-state executives, the Company's recruiting efforts have been focused on experienced personnel who are already located in the Bay Area.

In 1988, the Board adopted a policy designed to control the base salaries of its executives while providing sufficient incentives to attract and retain qualified personnel. In accordance with this policy, the Company strives to set executive base salaries by considering relative contribution of the position to achievement of the Company's goals and objectives, "market value" as defined by salaries of executives within the Bay Area with comparable experience in similar positions, and job-related responsibilities with respect to size of budget, number of subordinates and scope of activities. In general, the Company strives to set base salaries of new executives at market, which is defined as the average base salary of incumbents in comparable positions, and uses its 1987 Employee Stock Option Plan and its Executive Bonus Plan to facilitate recruiting and to retain qualified executives by providing long-term incentives. Typically, new executives are granted stock options as part of their initial employment package.

During 1993, the Internal Revenue Code of 1986 was amended to include a provision that denies a deduction to publicly held corporation for compensation paid to "covered employees" (defined as the chief executive officer and the next four most highly compensated officers as of the end of the taxable year) to the extent that compensation paid to any "covered employee" exceeds $1 million in any taxable year of the corporation beginning after 1993. Certain "performance-based" compensation qualifies for an exemption from the limits on deductions. It is the Company's policy to qualify compensation paid to its top executives for deductibility in order to maximize the Company's income tax deductions, to the extent that so qualifying the compensation is not inconsistent with the Company's fundamental compensation policies. Based upon the Internal Revenue Service's proposed regulations and compensation paid to the Company's "covered employees" for the 1994 tax year, all compensation paid by the Company in 1994 to such covered employees was deductible to the Company.

STOCK OPTIONS

The Company has determined that stock options are an important incentive for attracting and retaining qualified personnel, including executive-level personnel. Accordingly, all new employees may receive an initial stock option grant upon employment by the Company. Each employee, including executive-level employees, may receive a subsequent stock option grant two years following the initial grant at the discretion of the Board. In 1994, three executive officers received such stock options following stock options granted to them in 1992. Generally, each option is immediately exercisable, but the shares issued upon option exercise are subject to a right of repurchase by the Company which generally expires over a period of four years with respect to initial grants and three years with respect to subsequent grants. In 1994, the Company offered all employees, including executive officers, the ability to exchange certain options for options with a lower exercise price. See "Report on Repricing of Stock Options" above.

CORPORATE PERFORMANCE CRITERIA

The Company presents to the Board a set of corporate goals for a succeeding period, generally ranging from 12 to 18 months, as part of the annual plan and budget process. These goals establish benchmarks for assessing overall corporate performance. Given the dynamic nature of the new drug development process,

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progress toward the achievement of corporate goals is reviewed with the Board periodically together with a description of any change in circumstances that management believes

may warrant an update to or revisions of these goals. The principal corporate goals for 1994 were related to the following: support of launch of AMPHOTEC in the United Kingdom; filing of additional Marketing Approval Application ("MAA") dossiers for AMPHOTEC throughout Western and Eastern Europe and in selected South American countries; filing of the NDA with the FDA for DOXIL; filing of MAA dossiers for DOXIL throughout the European Union countries; preparing for a successful meeting with the FDA's Oncologic Drugs Advisory Committee ("ODAC") to review the DOXIL NDA (subsequently, in February 1995, the Company received ODAC's recommendation to the FDA for approval of DOXIL under accelerated approval regulations); initiating additional dose-ranging clinical studies of DOXIL in various solid tumors; and, identifying new product opportunities utilizing the Company's proprietary platform long-circulating STEALTH-Registered Trademark- liposome technology.

EXECUTIVE BONUS PLAN

Under the Executive Bonus Plan, each of the Chief Executive Officer, President, Vice Presidents, Corporate Secretary and Treasurer of the Company is eligible to receive a cash bonus ranging from 50% to 150% of the amounts set forth below based on the Board's assessment of overall corporate performance. The bonus amounts based upon corporate performance are as follows: Chief Executive Officer -- 50% of base salary; President -- 50% of base salary; Vice Presidents -- 15% of base salary; and Corporate Secretary and Treasurer -- 10% of base salary. In April 1995, the Board awarded 100% of the bonus amounts set forth above to eligible executive officers based on the Board's assessment of corporate performance during fiscal 1994. In addition to the bonus awards based upon corporate performance, each of the Vice Presidents, the Corporate Secretary and the Treasurer is eligible to receive up to 10% of base salary based on individual performance. For 1994, each eligible executive received a bonus of 10% of base salary, which was paid in April 1995.

PERIODIC SALARY ADJUSTMENTS

Generally, executive salaries are reviewed annually and salary adjustments may be awarded on the basis of increased responsibilities of individual executives over a period of time or the outstanding performance of individual executives as exhibited by consistently high standards in the execution of established duties, as described by the Chief Executive Officer to the Board. Company performance as a whole is a major consideration in the Board's decision to award any salary increases and, to a lesser extent, the Board also considers general economic conditions and trends. In 1994, the base annual salaries of eight Company executives were increased by 5.6%. These increases, which occurred in April 1995 and were retroactive to July 1994, were considered and approved solely by members of the Board of Directors who are not employees of the Company.

CHIEF EXECUTIVE OFFICER COMPENSATION

Generally, the non-employee members of the Board meet with the Chief Executive Officer to discuss the performance of the other executive officers and of the Company as a whole. The members of the Board then meet in the absence of the Chief Executive Officer and other employee members of the Board, if any, to discuss the performance of the Chief Executive Officer and the Company. Dr. Arvanitidis received a bonus for 1994 of $125,000, or 50% of his base annual salary, in accordance with the Executive Bonus Plan described above, which was paid in April 1995.

SUMMARY

The Board believes that it has established a program for compensation of the Company's executives which is fair and which aligns the financial incentives for executives with the interests of the Company's stockholders.

Board of Directors (1)

-- Nicolaos V. Arvanitidis, Ph.D.
-- Robert G. Faris
-- I. Craig Henderson, M.D., F.A.C.P.
-- Richard C.E. Morgan
-- Robert B. Shapiro
-- E. Donnall Thomas, M.D.

- ------------------------

(1) Dr. Arvanitidis retired from the Board in June 1995 and Mr. Shapiro is not standing for reelection at the Annual Meeting. Both were members of the Board when the compensation decisions described above were made. Mr. Minick was elected to the Board in July 1995, subsequent to the compensation

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decisions described above.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 1994, management compensation issues were reviewed and approved by the Board of Directors as a whole, with Dr. Arvanitidis abstaining with respect to the adoption of resolutions pertaining to his compensation. The Compensation and Plan Committee during fiscal 1994 was composed of Messrs. Morgan and Shapiro and Dr. Henderson. The function of the Committee is to review and recommend to the Board management compensation and to administer the Company's stock option plans. During fiscal 1994, no executive officer of the Company served on the board of directors or compensation committee of another company that had an executive officer serve on the Company's Board of Directors or its Compensation and Plan Committee.

EMPLOYMENT AND SEVERANCE AGREEMENTS

The Company is party to employment agreements with Dr. Henderson and Mr. Minick and Ms. Davenport, a founder of the Company. The agreements with Dr. Henderson and Mr. Minick each have a ten-year term and provide that if such officer is terminated either without cause or upon a change in control of the Company, he will receive compensation equal to 18 months of his then current base salary if the termination occurs prior to June 27, 1996 or 12 months of his then current base salary if the termination occurs thereafter. Dr. Henderson's current base salary is $275,000. Mr. Minick's current base salary is $225,000. The agreement with Ms. Davenport provides for an automatically renewable one-year term of employment terminable by either party upon 90 days' notice prior to the end of each term.

The Company and Dr. Arvanitidis are party to a memorandum of agreement dated as of April 3, 1995, as amended, (the "MOA"). Dr. Arvanitidis retired from serving as Chairman of the Board and Chief Executive Officer on June 26, 1995. The MOA sets forth the essential terms of Dr. Arvanitidis' retirement. Under the MOA, the Company is obligated to pay Dr. Arvanitidis his annual base salary of $250,000 through December 31, 1995 and a bonus of $125,000. After his retirement, Dr. Arvanitidis will provide up to 120 hours of consulting time to the Company. The Company has agreed to pay an additional $671,245 of severance pay to Dr. Arvanitidis. The Company's right of repurchase lapsed with respect to all shares of Common Stock underlying Dr. Arvanitidis' stock options upon his retirement and the exercise period of all but 102,392 of his stock options was extended to the fifth anniversary of his retirement. In addition, Dr. Arvanitidis will receive certain health and life insurance benefits and will be permitted to retain his Company car.

The Company also entered into severance arrangements with Mr. Leigh and Dr. Mamelok relating to their resignations from the Company. The Company has agreed to pay Mr. Leigh severance pay of $71,388, which is equal to six months of base salary. The exercise period of Mr. Leigh's options has been extended until June 16, 1996, and the Company has agreed to accelerate the vesting of 62,500 shares underlying Mr. Leigh's options. Vesting on the remaining shares will be accelerated in the event of a sale of all or substantially all of the Company's assets or stock, or a merger in which SEQUUS is not the surviving company, which occurs before June 16, 1996. Dr. Mamelok's relationship with the Company will end at the date determined by his successor. The Company has agreed to

pay Dr. Mamelok $47,796 upon his termination, which is equal to three months of base salary. Dr. Mamelok's stock options will continue to vest until October 21, 1995, and the exercise period for the options has been extended until October 21, 1996.

CERTAIN TRANSACTIONS

On October 5, 1993, the Company agreed to make an unsecured loan of $60,000 to Joseph Vallner, Senior Vice President for Research and Development, to facilitate his purchase of a new residence. The loan has a term of five years and accrues interest at the prime rate, as published by the Wall Street Journal, plus 1%. On each annual anniversary of the loan take-down date, 20% of the loan principal will be forgiven by the Company provided Mr. Vallner remains a full-time employee of the Company through the anniversary.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors and executive officers, and persons who own more than ten percent of the outstanding Common Stock, to file with the Securities and Exchange Commission ("SEC") initial reports of ownership and reports of changes in ownership of the Company's Common Stock. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to or maintained by the Company and written representations

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that no other reports were required, during the fiscal year ended December 31, 1994, all Section 16(a) filing requirements applicable to the Company's officers, directors and greater than ten percent stockholders were complied with, except that the form for one transaction by Mr. Joseph M. Limber, an officer of the Company, was filed late, and the form for one transaction by Dr. Francis J. Martin, an officer of the Company, was filed late.

STOCK PRICE PERFORMANCE GRAPH

The following line graph illustrates a five-year comparison of the cumulative total stockholder return on the Common Stock against the cumulative total return of the Nasdaq Stock Market (U.S.) Index and the Nasdaq Pharmaceutical Stock Index, assuming $100 invested in the Common Stock and the two indexes on December 31, 1989.

CUMULATIVE TOTAL STOCKHOLDER RETURN

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>
<CAPTION>

	SEQUUS PHARMACEUTICALS, INC. (SEQU)	NASDAQ STOCK MARKET (US)	NASDAQ PHARMACEUTICAL STOCKS
<S>	<C>	<C>	<C>
Dec-89	100	100	100
Dec-90	180	85	120
Dec-91	1480	136	319
Dec-92	800	159	266
Dec-93	720	181	212
Dec-94	516	177	178

</TABLE>

PROPOSAL 2

ADOPTION OF CERTIFICATE OF AMENDMENT OF
THE COMPANY'S CERTIFICATE OF INCORPORATION

The Board of Directors unanimously adopted, subject to stockholder approval, a Certificate of Amendment of the Company's Certificate of Incorporation (the "Certificate of Amendment") increasing the number of authorized shares of Common Stock from 35,000,000 to 45,000,000. The stockholders are asked to approve the adoption of the Certificate of Amendment, which is attached as Exhibit I to this proxy statement.

DESCRIPTION OF THE PROPOSAL

As of June 30, 1995, the Company had 21,379,591 shares of Common Stock outstanding and approximately 8,278,694 shares of Common Stock reserved for issuance under the Company's stock purchase plan, stock option plans and outstanding warrants and upon conversion of outstanding Convertible Preferred Stock. As of June 30, 1995, the Company had approximately 5,341,715 shares of Common Stock authorized but unissued and unreserved. If the Certificate of Amendment is approved and if the proposed amendments to the 1987 Employee Stock Option Plan, the 1987 Consultant Stock Option Plan, the 1990 Director Stock Option Plan, and the Employee Stock Purchase Plan described below are approved, the Company will have an additional 7,750,000 shares of Common Stock authorized but unreserved. The Company intends to use the additional shares of Common Stock for future financings, but does not at present have any specific plans or arrangements which are expected to result in the issuance of any additional shares of Common Stock that have not been previously reserved.

The Board is authorized to approve the issuance of additional Common Stock at any time. Although the increase in the authorized number of shares is not proposed for the purpose of any anti-takeover effect, the issuance of such shares may have an anti-takeover effect, depending upon the identity of the purchasers, the number of shares issued and the then current ownership of outstanding shares of the Company. The purpose of the increase in the authorization is the elimination of later delays associated with stockholder votes on specific issuances. The Bylaws of the NASD generally require the Company nevertheless to obtain the approval of stockholders holding at least a majority of the shares of the Company voting for the issuance of Common Stock (or securities convertible or exercisable for Common Stock) pursuant to any stock option or purchase plan in which officers or directors may participate, resulting in a change in control of the Company, in connection with certain acquisitions of the stock or assets of another corporation, or in private placements for a price less than the greater of book or market value involving 20% or more of the Common Stock outstanding before the issuance.

STOCKHOLDER VOTE

The affirmative vote of a majority of votes that could be cast by stockholders who are present or represented at the Annual Meeting is required to adopt the Certificate of Amendment. Properly executed, unrevoked proxies will be voted FOR Proposal 2 unless a vote against Proposal 2 or abstention is

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specifically indicated in the proxy.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ADOPTION OF THE CERTIFICATE OF AMENDMENT.

PROPOSAL 3
ADOPTION OF AMENDMENTS TO
THE 1987 EMPLOYEE STOCK OPTION PLAN

The Board of Directors unanimously adopted, subject to stockholder approval, amendments to the Company's 1987 Employee Stock Option Plan (the "1987 Employee Plan") increasing the number

of shares reserved for issuance thereunder and imposing an annual limit on the number of shares of Common Stock with respect to which option awards may be made to any one participant thereunder. The stockholders are asked to approve the adoption of the amendments to the 1987 Employee Plan.

DESCRIPTION OF THE PROPOSAL

Currently, the 1987 Employee Plan provides that a total of 3,350,000 shares of Common Stock may be issued thereunder. The proposed amendment to the 1987 Employee Plan increases the number of shares available for issuance thereunder by 1,650,000 shares to a total of 5,000,000 shares, in order to ensure that there will be a sufficient reserve of shares to permit further option grants to existing and new employees of the Company. As of June 30, 1995, the Company had granted options covering 553,277 shares of Common Stock in excess of the number of shares available for grant under the 1987 Employee Plan prior to approval of the amendments proposed hereby. If the proposed amendment to the 1987 Employee Plan to increase the aggregate number of shares available for grant is approved by the stockholders, the number of options available for grant will be 1,096,723 (assuming no options have been granted, been exercised or expired since June 30, 1995).

None of the Named Officers have been granted options under the 1987 Employee Plan that are subject to the stockholders approving the proposed amendments to the 1987 Employee Plan. The following table shows the number of options granted under the 1987 Employee Plan that are subject to the stockholders approving the proposed amendments to the 1987 Employee Plan to the named individuals and groups.

PLAN BENEFITS

NAME AND POSITION	NUMBER OF OPTIONS (1)
I. Craig Henderson, M.D., F.A.C.P. Chairman of the Board and Chief Executive Officer	350,000
L. Scott Minick President, Chief Operating Officer and Director	275,000
All executive officers as a group	625,000
All directors who are not executive officers as a group	0
All employees (other than executive officers) as a group	0

(1) All options granted at fair market value as of the date of grant.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), enacted in August 1993, limits (subject to some exemptions) the deductibility by public companies of compensation in excess of $1 million per year (per executive) paid to certain executive officers (generally, the CEO and the next four most highly compensated executive officers). As the limit applies in the year in which the compensation is paid, it could apply to income derived from the exercise of certain stock options, measured by the spread between the exercise price and the fair market value at the time the option is exercised.

"Performance-based" compensation does not count toward the $1 million deduction limit if certain conditions are met. Compensation resulting from the exercise of stock options will be treated as "performance-based" and excluded from the limit on deductibility if, among other things, the plan under which the options are granted specifies limits on the number of shares issuable to executive officers under the plan and these limits are approved by the issuer's stockholders.

In order to exclude from the $1 million deduction limit compensation resulting from the exercise of options granted under the 1987 Employee Plan, the Board has adopted, subject to stockholder approval, an amendment to the 1987 Employee Plan to limit the number of shares with respect to which options may be granted to no more than 400,000 shares to any one participant in any year.

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PLAN DESCRIPTION

The 1987 Employee Plan authorizes the granting of incentive stock options ("ISOs") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and non-qualified stock options ("NQOs"). The 1987 Employee Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and is not a qualified plan under Section 401(a) of the Code. Proceeds received by the Company from the sale of Common Stock pursuant to the exercise of options under the 1987 Employee Plan will be used for general corporate purposes.

The 1987 Employee Plan is administered by the Board or a committee established by the Board (in either case, the "Administrator"). The Administrator is authorized to select from among eligible employees the individuals to whom options are granted, to determine the number of shares to be subject to such options, to designate whether such options will be ISOs or NQOs and to determine the terms and conditions of the options, consistent with the 1987 Employee Plan. No election by an employee is required to participate in the 1987 Employee Plan.

Any full-time employee (including officers) of the Company or the Company's subsidiaries or parent corporation is eligible to be granted options under the 1987 Employee Plan. As of June 30, 1995, approximately 155 employees of the Company were eligible to participate in the 1987 Employee Plan.

No options may be granted under the 1987 Employee Plan after December 10, 1997. Options granted before termination of the 1987 Employee Plan will remain exercisable in accordance with their respective terms after termination of the 1987 Employee Plan.

The 1987 Employee Plan requires that the option price for NQOs granted thereunder be not less than 85% of the fair market value of the Common Stock on the date of grant and requires that ISOs granted thereunder be not less than 100% of the fair market value of the Common Stock on the date of grant (or 110% of the fair market value in the case of an ISO granted to a person who owns, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company). On July 31, 1995, the closing sales price of a share of the Common Stock on the Nasdaq National Market was .

No option may be exercised after the expiration of a period of ten years from the date of grant in the case of ISOs and ten years and two days from the date of grant in the case of NQOs, subject to the earlier expiration of an option for the reasons described below.

Incentive stock options granted to persons then owning, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company, any subsidiary or parent corporation, may not be exercised after the expiration of five years from the date of grant. Each option becomes exercisable at such times and in such installments (which may be cumulative) as the Administrator shall provide in the terms of each individual option. Generally, each option granted under the 1987 Employee Plan is immediately exercisable, but the shares issued upon option exercise may be subject to a right of repurchase by the Company at the option exercise price upon termination of employment, which right generally expires over a period of three or four years. In the event of the sale of the Company or substantially all of the assets or stock thereof to another entity, or a merger in which the Company is not the surviving entity, the Company's right of repurchase with respect to all shares subject to then outstanding options shall expire at least 15 days prior to the effectiveness of such transaction.

Under the 1987 Employee Plan, the right to exercise any option generally expires three months after an optionee's termination of employment (or seven months with respect to optionees subject to Section 16(b) of the Exchange Act), but if the optionee dies or becomes disabled while employed by the Company, any outstanding option will expire one year from the date of the optionee's death or termination due to the disability.

The 1987 Employee Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time by the Board. No such amendment, suspension or termination may, however, alter or impair the rights or obligations of the holders of outstanding options without the consent of such holders. In addition, without the approval of the Company's stockholders, no action of the Administrator may increase the limit on the maximum number of shares which may be issued on exercise of options granted under the 1987 Employee Plan (except for anti-dilutive adjustments), modify the eligibility requirements for the 1987 Employee Plan, or extend the duration of the 1987 Employee Plan.

No option granted under the 1987 Employee Plan is transferable, except by will or by the applicable laws of descent and distribution.

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FEDERAL INCOME TAX CONSEQUENCES

See "Certain Federal Income Tax Consequences" below for a discussion of the federal income tax consequences relating to ISOs and NQOs granted pursuant to the 1987 Employee Plan.

STOCKHOLDER VOTE

The affirmative vote of a majority of the votes that could be cast by stockholders who are present or represented at the Annual Meeting is required to adopt the proposed amendments to the 1987 Employee Plan. Properly executed, unrevoked proxies will be voted FOR Proposal 3 unless a vote against Proposal 3 or abstention is specifically indicated in the proxy.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ADOPTION OF THE PROPOSED AMENDMENTS TO THE 1987 EMPLOYEE PLAN.

PROPOSAL 4
ADOPTION OF AMENDMENT TO
THE 1987 CONSULTANT STOCK OPTION PLAN

The Board of Directors unanimously adopted, subject to stockholder approval, an amendment to the Company's 1987 Consultant Stock Option Plan (the "1987 Consultant Plan") increasing the number of shares reserved for issuance thereunder. The stockholders are asked to approve the adoption of this amendment to the 1987 Consultant Plan.

DESCRIPTION OF THE PROPOSAL

Currently, the 1987 Consultant Plan provides that a total of 100,000 shares of Common Stock may be issued thereunder. The proposed amendment to the 1987 Consultant Plan increases the number of shares available for issuance thereunder by 250,000 shares to a total of 350,000 shares, in order to ensure that there will be a sufficient reserve of shares to permit further option grants to existing and new consultants to the Company. Officers and directors of the Company are not eligible to receive options under the 1987 Consultant Plan.

As of June 30, 1995, options covering 33,800 shares of the Company's Common Stock were available for grant under the 1987 Consultant Plan. If the proposed amendment to the 1987 Consultant Plan to increase the aggregate number of shares available for grant is approved by the stockholders, the number of options available for grant will be increased to 283,800 (assuming no options have been granted, been exercised or expired since June 30, 1995).

PLAN DESCRIPTION

The 1987 Consultant Plan authorizes the granting of NQOs to eligible consultants to the Company. The purpose of the 1987 Consultant Plan is to enable the Company to encourage selected consultants to accept or continue consulting arrangements with the Company or its affiliates and increase the interest of selected consultants in the Company's welfare through their participation in the growth and value of the Company. The 1987 Consultant Plan is not subject to the provisions of the

Employee Retirement Income Security Act of 1974, as amended, and is not a qualified plan under Section 401(a) of the Code. Proceeds received by the Company from the sale of Common Stock pursuant to the exercise of options will be used for general corporate purposes.

Any consultant (including persons employed by, or otherwise affiliated with, a consultant) to the Company or the Company's subsidiaries or parent corporation is eligible to be granted NQOs under the 1987 Consultant Plan. As of June 30, 1995, approximately 12 consultants to the Company were eligible to participate in the 1987 Consultant Plan.

The 1987 Consultant Plan is administered by the Board or a committee established by the Board (in either case, the "Administrator"). The Administrator is authorized to select from among the eligible consultants the consultants to whom options are to be granted, to determine the number of shares to be subject to such options and to determine the terms and conditions of the options, consistent with the 1987 Consultant Plan. No election by any consultant is required to participate in the 1987 Consultant Plan.

No options may be granted under the 1987 Consultant Plan after December 10, 1997. Options granted before termination of the 1987 Consultant Plan will remain exercisable in accordance with their respective terms after termination of the 1987 Consultant Plan.

The 1987 Consultant Plan requires that the option price for options granted be not less than 85% of the fair market value of the Common Stock on the date of grant (or 110% of the fair market value in the case of any person who directly or indirectly owns more than 10% of the total combined voting power of all classes of stock of the Company).

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No option may be exercised in whole or in part, after the expiration of a period of ten years and two days from the date of grant, subject to the earlier expiration of an option for the reasons described below. Options granted to persons then owning, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company, any subsidiary or parent corporation, may not be exercised after the expiration of five years from the date of grant. Each option becomes exercisable at such times and in such installments (which may be cumulative) as the Administrator shall provide in the terms of each individual option. Generally, each option granted under the 1987 Consultant Plan is immediately exercisable, but the shares issued upon exercise may be subject to a right of repurchase by the Company at the option exercise price upon termination of the consultancy, which right generally expires over a period not exceeding two years. In the event of the sale of the Company or substantially all of the assets or stock thereof to another entity, or a merger in which the Company is not the surviving entity, the Company's right of repurchase with respect to all shares subject to then outstanding options shall expire at least 15 days prior to the effectiveness of such transaction.

Under the 1987 Consultant Plan, the right to exercise any option generally expires three months after an optionee's termination of consultancy (or seven months with respect to optionees subject to Section 16(b) of the Exchange Act), but if the optionee dies or becomes disabled while engaged as a consultant by the Company, any outstanding option will expire one year from the date of optionee's death or termination due to disability.

The stockholders of the Company must approve all amendments to the 1987 Consultant Plan which increase the number of shares which are authorized for issuance upon exercise of options (except for anti-dilution adjustments), modify the eligibility requirements, or extend the duration of the 1987 Consultant Plan. In all other respects, the 1987 Consultant Plan may be amended, suspended, or terminated by the Board. No such amendment, suspension, or termination may, however, alter or impair the rights or obligations of the holders of outstanding options without the consent of such holders.

No option granted under the 1987 Consultant Plan is transferable, except by will or by the applicable laws of descent and distribution.

FEDERAL INCOME TAX CONSEQUENCES

See "Certain Federal Income Tax Consequences" below for a discussion of the federal income tax consequences relating to NQOs granted pursuant to the 1987 Consultant Plan.

STOCKHOLDER VOTE

The affirmative vote of a majority of the votes that could be cast by stockholders who are present or represented at the Annual Meeting is required to adopt the Second Amendment to the 1987 Consultant Plan. Properly executed, unrevoked proxies will be voted FOR Proposal 4 unless a vote against Proposal 4 or abstention is specifically indicated in the proxy.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ADOPTION OF THE AMENDMENT TO THE 1987 CONSULTANT PLAN.

PROPOSAL 5
ADOPTION OF AMENDMENT TO
THE 1990 DIRECTOR STOCK OPTION PLAN

The Board of Directors unanimously adopted, subject to stockholder approval, an amendment to the Company's 1990 Director Stock Option Plan (the "1990 Director Plan") increasing the number of shares reserved for issuance thereunder. The stockholders are asked to approve the adoption of this amendment to the 1990 Director Plan.

DESCRIPTION OF THE PROPOSAL

Currently, the 1990 Director Plan provides that a total of 350,000 shares of Common Stock may be issued thereunder. The proposed amendment to the 1990 Director Plan increases the number of shares available for issuance thereunder by 250,000 shares to a total of 600,000 shares, in order to ensure that there will be a sufficient reserve of shares to attract new directors to the Company.

Executive officers of the Company are not eligible to receive NQOs under the 1990 Director Plan. The following table shows, assuming that all of the nominees are elected at the Annual Meeting, the number of NQOs which will be granted to the listed groups under the 1990 Director Plan in 1996.

<TABLE>
<CAPTION>

	NUMBER OF NQOS (1)
<S>	<C>

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All executive officers as a group	0
All directors who are not executive officers as a group	5,000
All employees (other than executive officers) as a group	0

<FN>

- -----------------------

(1) All options granted at fair market value as of the date of grant.
</TABLE>

As of June 30, 1995, options covering 35,000 shares of Common Stock were available for grant under the 1990 Director Plan. If the proposed amendment to the 1990 Director Plan to increase the aggregate number of shares available for grant is approved by the stockholders, the number of options available for grant will be increased to 285,000.

PLAN DESCRIPTION

The 1990 Director Plan provides NQOs to eligible non-employee directors of the Company at set times and in set amounts. However, to the extent administration is required, it is provided by the Board of Directors. The purpose of the 1990 Director Plan is to enable the Company to obtain and retain the services of, and to motivate, experienced non-employee directors considered essential to the long-range success of the Company, by providing and offering them an opportunity to become owners of Common Stock of the Company pursuant to the exercise of options granted under the 1990 Director Plan. The 1990 Director Plan is not subject to the provisions of the Employee Retirement Income

Security Act of 1974, as amended, and it is not a qualified plan under Section 401(a) of the Code. Proceeds received by the Company from the sale of Common Stock pursuant to the exercise of NQOs will be used for general corporate purposes.

Each member of the Board of Directors of the Company who is not also an employee of the Company or any subsidiary or affiliate of the Company is eligible to participate in the 1990 Director Plan upon his or her election or appointment to the Board of Directors of the Company; provided, however, that any nonemployee director who beneficially owns 10% or more of the Company's outstanding shares of Common Stock is ineligible. After the Annual Meeting, the Company will have one non-employee director eligible to participate under the 1990 Director Plan if the nominees named in this proxy statement are all elected. No eligible director may receive NQOs to purchase more than 50,000 shares under the 1990 Director Plan.

All eligible non-employee directors of the Company who were directors on January 31, 1990 were granted automatically, as of January 31, 1990, an initial NQO to purchase 25,000 shares of Common Stock. Thereafter, each non-employee director who was a director on January 31, 1990 has been and shall be granted automatically an additional NQO covering 5,000 shares of Common Stock on the third business day following the release to the public of the Company's annual financial results; provided, however, that in 1992 each eligible incumbent non-employee director received a one-time grant of an NQO to purchase 12,500 shares in lieu of the grant of an NQO to purchase 5,000 shares which he was entitled to receive that year. A person who becomes a non-employee director is granted automatically, as of the date of his or her election or appointment to the Company's Board of Directors, an NQO to purchase 25,000 shares of Common Stock, and thereafter shall be granted automatically an additional NQO covering 5,000 shares of Common Stock on the third business day following the release to the public of the Company's annual financial results; provided, however, that each new eligible non-employee director shall receive a one-time grant, on the date of the first annual grant date following his or her election to the Board, of an NQO to purchase 12,500 shares in lieu of the grant of an NQO to purchase 5,000 which such new director would be entitled to receive on the same date.

No NQOs may be granted under the 1990 Director Plan after January 31, 2000. NQOs granted before termination of the 1990 Director Plan will remain exercisable in accordance with their respective terms after termination of the 1990 Director Plan.

The price per share of the Common Stock subject to each option shall be the closing sales price of the Common Stock, or the closing bid price if no sales were reported, on the Nasdaq National Market, on the date of grant of such option, or on the last preceding business day if the grant date is not a business day. NQOs granted under the 1990 Director Plan are exercisable in full upon grant. The right to exercise any NQO generally expires upon the earlier of ten years from the date of grant or one year after a director's termination as a director.

The 1990 Director Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time by the Board of Directors of the Company. However, without the approval of the Company's stockholders, no action of the Board may increase the limit on the maximum number of shares which may be issued on exercise of options granted under the 1990 Director Plan (except for anti-dilutive adjustments), modify the eligibility requirements for the 1990 Director Plan, change the minimum option price, or materially increase the

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benefits accruing under the 1990 Director Plan.

No option granted under the 1990 Director Plan is transferable, except by will or by the applicable laws of descent and distribution.

As of April 28, 1995, NQOs to purchase 315,000 shares of Common Stock had been granted and were outstanding under the 1990 Director Plan at exercise prices ranging from $1.8125 to $18.6250 per share, including 10,000 shares granted on the 1995 annual grant date.

FEDERAL INCOME TAX CONSEQUENCES

See "Certain Federal Income Tax Consequences" below for a discussion of the federal income tax consequences relating to NQOs granted pursuant to the 1990 Director Plan.

STOCKHOLDER VOTE

The affirmative vote of a majority of the votes that could be cast by stockholders who are present or represented at the Annual Meeting is required to adopt the proposed amendment to the 1990 Director Plan. Properly executed, unrevoked proxies will be voted FOR Proposal 5 unless a vote against Proposal 5 or abstention is specifically indicated in the proxy.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ADOPTION OF THE PROPOSED AMENDMENT TO THE 1990 DIRECTOR PLAN.

PROPOSAL 6
ADOPTION OF AMENDMENT TO
THE EMPLOYEE STOCK PURCHASE PLAN

The Board of Directors unanimously adopted, subject to stockholder approval, an amendment to the Company's Employee Stock Purchase Plan (the "Purchase Plan") increasing the number of shares reserved for issuance thereunder. The stockholders are asked to approve the adoption of this amendment to the Purchase Plan.

DESCRIPTION OF THE PROPOSAL

Currently, the Purchase Plan provides that a total of 150,000 shares may be issued thereunder. The proposed amendment to the Purchase Plan increases the number of shares available for issuance thereunder to a total of 250,000 shares, in order to ensure that there will be a sufficient reserve of shares to permit further purchases by existing and new employees of the Company.

The following table shows the number of shares purchased by the Named Officers and the identified groups under the Purchase Plan in 1994 and the "Dollar Value" of those shares. The "Dollar Value" is the difference between the fair market value of the Common Stock on the dates of purchase and the participant's purchase price.

PLAN BENEFITS

<TABLE>
<CAPTION>

NAME AND POSITION	DOLLAR VALUE ($)	NUMBER OF SHARES
Nicolaos J. Arvanitidis, Ph.D. Chairman of the Board and Chief Executive Officer (1)	0	0
Joseph M. Limber Executive Vice President	1,133	1,117
Richard Mamelok, M.D. Vice President and Medical Director (2)	2,435	2,441
Peter V. Leigh Vice President and Chief Financial Officer (3)	0	0
Joseph J. Vallner, Ph.D. Senior Vice President for Research and Development	503	507
All executive officers as a group	4,071	4,065
All directors who are executive officers as a group	0	0
All employees (other than executive officers) as a group	48,745	43,924

<FN>

(1) Dr. Arvanitidis retired as Chairman of the Board and Chief Executive Officer of the Company in June 1995.

(2) In April 1995, Dr. Mamelok stated his intention to resign from the Company. His resignation will not be effective until his successor is appointed.

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(3) Mr. Leigh resigned as an officer of the Company in April 1995.
</TABLE>

As of June 30, 1995, approximately 47,085 shares of the Company's Common Stock were available for purchase under the Purchase Plan. If the proposed amendment to the Purchase Plan is approved by the stockholders, the number of shares available for purchase will be increased to approximately 147,085.

PLAN DESCRIPTION

All employees, including officers and directors who are also employees, customarily employed 20 or more hours per week and five or more months each year by the Company, are eligible to participate in the Purchase Plan as of the first enrollment date following one year of employment by the Company; provided, however, that any person who holds 5% or more of the Company's Common Stock is prohibited from participating in the Purchase Plan. Any eligible employee may enroll in the Purchase Plan as of the first trading day of January, April, July or October of each year (or other enrollment dates established by the administrator of the Purchase Plan). As of June 30, 1995, approximately 155 employees of the Company were eligible to participate in the Purchase Plan.

The Purchase Plan is administered by the Board of Directors of the Company or a committee established by the Board. The Board may amend or terminate the Purchase Plan at any time. However, amendments which would increase the number of shares subject to the Purchase Plan, materially increase the benefits to the participants or materially modify the requirements for participation require stockholder approval.

Participating employees may elect to make contributions to the Purchase Plan at a rate equal to any whole percentage, up to a maximum of 10% (or other percentage set by the Board of Directors) of monthly base earnings from the Company. On the last trading day of each quarter (or other purchase dates established by the Board of Directors), the Company will apply the funds then in the employee's

account to the purchase of shares. The cost for each share purchased is 85% of the lower of the closing prices for Common Stock on the first trading day in the enrollment period in which the purchase is made and the purchase date. The length of the enrollment period is established from time to time by the Board of Directors but may not exceed 27 months. At any time before a scheduled purchase date a participant may elect to withdraw funds contributed to the Purchase Plan. No employee is permitted under the Purchase Plan to purchase Common Stock at a rate which exceeds $25,000 of fair market value of Common Stock (determined as of the first trading day in an enrollment period) in any year. The Board will set the maximum number of shares that may be purchased by participating employees during any enrollment period.

FEDERAL INCOME TAX CONSEQUENCES

See "Certain Federal Income Tax Consequences" below for a discussion of federal income tax consequences relating to participation in the Purchase Plan.

STOCKHOLDER VOTE

The affirmative vote of a majority of the votes that could be cast by stockholders who are present or represented at the Annual Meeting is required to adopt the proposed amendment to the Purchase Plan. Properly executed, unrevoked proxies will be voted FOR Proposal 6 unless a vote against Proposal 6 or abstention is specifically indicated in the proxy.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ADOPTION OF THE PROPOSED AMENDMENT TO THE PURCHASE PLAN.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

THE FOLLOWING SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES IS BASED UPON EXISTING STATUTES, REGULATIONS AND INTERPRETATIONS THEREOF. THE APPLICABLE RULES ARE COMPLEX, AND INCOME TAX CONSEQUENCES MAY VARY DEPENDING UPON THE PARTICULAR CIRCUMSTANCES OF EACH PLAN PARTICIPANT. THIS PROXY STATEMENT DESCRIBES FEDERAL INCOME TAX CONSEQUENCES OF GENERAL APPLICABILITY, BUT DOES NOT PURPORT TO DESCRIBE PARTICULAR CONSEQUENCES TO EACH INDIVIDUAL PLAN PARTICIPANT OR FOREIGN, STATE OR LOCAL INCOME TAX CONSEQUENCES, WHICH MAY DIFFER FROM THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES.

INCENTIVE STOCK OPTIONS

AWARD; EXERCISE. ISOs are intended to constitute "incentive stock options" within the meaning of Section 422 of the Code. ISOs may be granted only to employees of the Company (including directors who are also employees). An optionee does not recognize taxable income upon either the grant or exercise of an ISO. However, the excess of the fair market value of the shares purchased upon exercise over the option exercise price (the "Option Spread") is includable

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in the optionee's "alternative minimum taxable income" ("AMTI") for purposes of the alternative minimum tax ("AMT"). The Option Spread is generally measured on the date of exercise and is includable in AMTI in the year of exercise. Special rules regarding the time of AMTI inclusion may apply for shares subject to a repurchase right or other "substantial risk of forfeiture" (including, in the case of each person subject to the reporting requirements of Section 16 of the Exchange Act, limitations on resale of shares imposed under Section 16(b) of the Exchange Act).

SALE OF OPTION SHARES. If an optionee holds the shares purchased under an ISO for at least two years from the date the ISO was granted and for at least one year from the date the ISO was exercised, any gain from a sale of the shares other than to the Company is taxable as long-term capital gain. Under these circumstances, the Company would not be entitled to a tax deduction at the time the ISO is exercised or at the time the stock is sold. If an optionee were to dispose of stock acquired pursuant to an ISO before the end of the required holding periods (a "Disqualifying Disposition"), the amount by which the market value of the stock at the time the ISO is exercised exceeds the exercise price (or, if

less, the amount of gain realized on the sale) is taxable as ordinary income, and the Company is entitled to a corresponding tax deduction. Such income is subject to information reporting requirements and may become subject to withholding. Gain from a Disqualifying Disposition in excess of the amount required to be recognized as ordinary income is capital gain. Optionees are required to notify the Company immediately prior to making a Disqualifying Disposition. If stock is sold to the Company rather than to a third party, the sale may not produce capital gain or loss. A sale of shares to the Company will constitute a redemption of such shares, which could be taxable as a dividend unless the redemption is "not essentially equivalent to a dividend" within the meaning of the Code. The timing and amount of income from a Disqualifying Disposition and the beginning of the optionee's holding period for determining whether capital gain or loss is long- or short-term may be affected if option stock is acquired subject to a repurchase right or other "substantial risk of forfeiture" (including in the case of each person subject to the reporting requirements of Section 16 of the Exchange Act, limitations on resale of shares imposed under Section 16(b) of the Exchange Act).

EXERCISE WITH STOCK. If an optionee pays for ISO shares with shares of the Company acquired under an ISO or a qualified employee stock purchase plan ("statutory option stock"), the tender of shares is a Disqualifying Disposition of the statutory option stock if the above described (or other applicable) holding periods respecting those shares have not been satisfied. If the holding periods with respect to the statutory option stock are satisfied, or the shares were not acquired under a statutory stock option of the Company, then any appreciation in value of the surrendered shares is not taxable upon surrender. Special basis and holding period rules apply where previously owned stock is used to exercise an ISO.

NONQUALIFIED STOCK OPTIONS

AWARD; EXERCISE. An optionee is not taxable upon the award of a NQO. Federal income tax consequences upon exercise will depend upon whether the shares thereby acquired are subject to a "substantial risk of forfeiture." If the shares are NOT subject to a substantial risk of forfeiture, or if they are so restricted and the optionee files an election under Section 83(b) of the Code ("Section 83(b) Election") with respect to the shares, the optionee will have ordinary income at the time of exercise measured by the Option Spread on the exercise date. The optionee's tax basis in the shares will be the fair market value of the shares on the date of exercise, and the holding period for purposes of determining whether capital gain or loss upon sale is long- or short-term also will begin on that date. If the shares are subject to a substantial risk of forfeiture and no Section 83(b) Election is filed, the optionee will not be taxable upon exercise, but instead will have ordinary income, on the date the restrictions lapse, in an amount equal to the difference between the amount paid for the shares under the NQO and their fair market value as of the date of lapse; in addition, the optionee's holding period will begin on the date of lapse.

Whether or not the shares are subject to a substantial risk of forfeiture, the amount of ordinary income taxable to an optionee who was an employee at the time of grant constitutes "supplemental wages" subject to withholding of income and employment taxes by the Company, and the Company receives a corresponding income tax deduction.

SALE OF OPTION SHARES. Upon sale, other than to the Company, of shares acquired under a NQO, an optionee generally will recognize capital gain or loss to the extent of the difference between the sale price and the optionee's tax basis in the shares, which will be long-term gain or loss if the employee's holding period in the shares is more than one year. If stock is sold to the Company rather than to a third party, the sale may not produce capital gain or loss. A sale of shares to the Company will constitute a redemption of such shares, which could be taxable as a dividend unless the redemption is "not

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essentially equivalent to a dividend" within the meaning of the Code.

EXERCISE WITH STOCK. If an optionee tenders Common Stock to pay all or part of the exercise price of a NQO, the optionee will not have a taxable gain or deductible loss on the surrendered shares. Instead, shares acquired upon exercise that are equal in value to the fair market value of the shares

surrendered in payment are treated as if they had been substituted for the surrendered shares, taking as their basis and holding period the basis and holding period that the optionee had in the surrendered shares. The additional shares are treated as newly acquired with a zero basis.

If the surrendered shares are statutory option stock as described above under "Incentive Stock Options", with respect to which the applicable holding period requirements for favorable income tax treatment have not expired, then the newly acquired shares substituted for the statutory option shares should remain subject to the federal income tax rules governing the surrendered shares, but the surrender should not constitute a Disqualifying Disposition of the surrendered stock.

PURCHASE PLAN

In general, participants will not have taxable income or loss under the Purchase Plan until they sell or otherwise dispose of shares acquired under the Purchase Plan (or die holding such shares). If the shares are held, as of the date of sale or disposition, for longer than both: (i) two years after the beginning of the enrollment period during which the shares were purchased; and (ii) one year following purchase, a participant will have taxable ordinary income equal to 15% of the fair market value of the shares on the first day of the enrollment period (but not in excess of the gain on the sale). Any additional gain from the sale will be long-term capital gain. The Company is not entitled to an income tax deduction if the holding periods are satisfied.

If the shares are disposed of before the expiration of both of the foregoing holding periods (a "disqualifying disposition"), a participant will have taxable ordinary income equal to the excess of the fair market value of the shares on the purchase date over the purchase price. In addition, the participant will have taxable capital gain (or loss) measured by the difference between the sale price and the participant's purchase price plus the amount of ordinary income recognized, which gain (or loss) will be long-term if the shares have been held as of the date of sale for more than one year. The Company is entitled to an income tax deduction equal to the amount of ordinary income recognized by a participant in a disqualifying disposition.

Special rules apply to participants who are directors or officers.

SPECIAL FEDERAL INCOME TAX CONSIDERATION DUE TO SHORT SWING PROFIT RULE

The potential liability of a person subject to Section 16 of the Exchange Act to repay short-swing profits from the resale of shares acquired under a Company plan constitutes a "substantial risk of forfeiture" within the meaning of the above-described rules, which is generally treated as lapsing at such time as the potential liability under Section 16 lapses. Persons subject to Section 16 who would be required by Section 16 to repay profits from the immediate resale of stock acquired under a Company plan should consider whether to file a Section 83(b) Election at the time they acquire stock under a Company plan in order to avoid deferral of the date that they are deemed to acquire shares for federal income tax purposes.

INDEPENDENT AUDITORS

The Board has selected the accounting firm of Ernst & Young LLP as independent auditors to audit the financial statements of SEQUUS for the year ending December 31, 1995. Ernst & Young LLP has been engaged as the Company's auditors since 1983 and has audited the financial statements of the Company since inception. A representative of Ernst & Young LLP will be present at the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

OTHER INFORMATION

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, as amended, may be obtained, without charge, by writing to Secretary, SEQUUS Pharmaceuticals, Inc., 960 Hamilton Court, Menlo Park, California 94025.

STOCKHOLDER PROPOSALS

The Company will include in proxy statements of the Board stockholder proposals complying with the applicable rules of the Securities and Exchange Commission and any applicable state laws. In order for a proposal by a

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stockholder to be included in the proxy statement of the Board relating to the annual meeting of stockholders to be held in the Spring of 1996, that proposal must be received in writing by the Secretary of the Company at the Company's principal executive offices no later than February 15, 1996.

OTHER MATTERS

The Board knows of no other matters which will be presented to the Annual Meeting. If, however, any other matter is properly presented at the Annual Meeting, the proxy solicited by this Proxy Statement will be voted in accordance with the judgment of the person or persons holding such proxy.

By Order of the Board of Directors,

Sally A. Davenport,
SECRETARY

Menlo Park, California
August , 1995

YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO SIGN AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTPAID ENVELOPE.

EXHIBIT I

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION OF SEQUUS PHARMACEUTICALS, INC.

It is hereby certified that:

1. The name of the Corporation in SEQUUS Pharmaceuticals, Inc. (the "Corporation").

2. The Certificate of Incorporation of the Corporation is hereby amended by striking out the first sentence of Section 4 of the Certificate of Incorporation and substituting in lieu of said sentence the following new sentence:

"The total number of shares of all classes of capital stock which the corporation shall have authority to issue is Forty-Nine Million (49,000,000) shares comprised of Forty-Five Million (45,000,000) shares of Common Stock with a par value of One One-Hundredth of One Cent ($.0001) per share (the "Common Shares") and Four Million (4,000,000) shares of Preferred Stock with a par value of One Cent ($.01) per share (the "Preferred Shares")."

3. This Certificate of Amendment of Certificate of Incorporation was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, SEQUUS Pharmaceuticals, Inc. has caused this certificate to be signed by its officer duly authorized, this day of , 1995.

SEQUUS PHARMACEUTICALS, INC.

By: ___________________________________
I. Craig Henderson
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

SEQUUS PHARMACEUTICALS, INC.
1990 DIRECTOR STOCK OPTION PLAN

1. PURPOSE.

The purpose of the 1990 Director Stock Option Plan (the "Plan") of SEQUUS Pharmaceuticals, Inc., a Delaware corporation (the "Company"), is to compensate non-employee members of the Company's Board of Directors (the "Board") and to provide a means for such directors to increase their holdings of Company stock.

2. DEFINITIONS.

The following definitions shall apply to this Plan:

(a) "ANNUAL GRANT DATE" shall mean, for each calendar year, beginning in 1991, the third business day following the release to the public of the Company's annual financial results.

(b) "BOARD" shall mean the Board of Directors of the Company.

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(c) "ELIGIBLE DIRECTOR" shall mean any person who is a member of the Board and who is not (i) a full or part-time employee of the Company or any subsidiary or affiliate of the Company or (ii) a beneficial holder of 10% or more of the outstanding shares of Common Stock of the Company.

(c) "GRANT DATE" shall mean the Initial Grant Date or the Annual Grant Date, as appropriate.

(d) "INITIAL GRANT DATE" shall mean the later of (i) January 31, 1990; or (ii) with respect to a grant of an Option to an Eligible Director, the date on which such Eligible Director is first elected to the Board.

(e) "OPTION" shall mean an option to purchase Shares granted under this Plan.

(f) "OPTION AGREEMENT" shall mean the written agreement described in Section 6.

(g) "SHARES" shall mean shares of common stock of the Company.

3. ADMINISTRATION.

(a) GENERAL. This Plan shall be administered by the Board in accordance with the express provisions of this Plan.

(b) POWERS OF BOARD. The Board shall have full and complete authority to adopt such rules and regulations and to make all such other determinations not inconsistent with the Plan as may be necessary for the administration of the Plan.

4. SHARES SUBJECT TO PLAN.

(a) AGGREGATE NUMBER. Subject to adjustment in accordance with Section 6(g), an aggregate of 600,000 Shares is reserved for issuance under this Plan. Shares sold under this Plan may be unissued Shares or reacquired Shares. If any Options shall for any reason terminate or expire without having been exercised in full, Shares not purchased thereunder shall be available again for grant under this Plan.

(b) RIGHTS AS STOCKHOLDER. An Eligible Director shall have no rights as a stockholder with respect to Shares acquired by exercise of an Option until the issuance (as evidenced by the appropriate entry on the books of the Company or a duly authorized transfer agent) of a stock certificate evidencing the Shares. Subject to Section 6(g), no adjustment shall be made for dividends or other events for which the record date is prior to the date the certificate is issued.

5. NONDISCRETIONARY GRANTS.

(a) INITIAL GRANT. On the Initial Grant Date, each Eligible Director shall receive the grant of an Option to purchase 25,000 Shares.

(b) REGULAR ANNUAL GRANTS. (i) With respect to Eligible Directors who are non-employee directors on January 1, 1992, on each Annual Grant Date, such Eligible Director then in office shall receive the grant of an Option to purchase 5,000 Shares (except for the 1992 Annual Grant Date, in which case such grant shall be of an Option to purchase 12,500 Shares); and (ii) with respect to Eligible Directors who are elected to the Board after January 1, 1992, on the first Annual Grant Date after the Initial Grant Date, each Eligible Director then in office shall receive the grant of an Option to purchase 12,500 Shares, and on each Annual Grant Date thereafter, each Eligible Director then in office shall receive the grant of an Option to purchase 5,000 shares; provided that in the case of both (i) and (ii) above, no Eligible Director shall receive under this Plan Options to purchase a total of more than 50,000 Shares.

(b) ADJUSTMENT. The number of Shares for which Options are granted in accordance with this Section 5 and the number of Shares subject to any Option shall be subject to adjustment in accordance with Section 6(g).

6. TERMS OF OPTION AGREEMENTS.

Upon the grant of each Option, the Company and the Eligible Director shall enter into an Option Agreement which shall specify the Grant Date and the exercise price, and shall include or incorporate by reference the substance of all of the following provisions and such other provisions consistent with this Plan as the Board may determine:

(a) TERM. The term of the Option shall be ten years from its Grant Date, subject to earlier termination in accordance with Sections 6(f) or 6(h).

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(b) OPTION EXERCISE. Each Option held by an Eligible Director shall become immediately exercisable in full or in part upon the grant of such Option; provided that the Options granted on the Initial Grant Date shall not be exercisable until the later of: (i) the approval by the Company's stockholders of the adoption of this Plan in accordance with Section 11, and (ii) the effectiveness of any registration statement or qualification required by applicable law with respect to the issuance of the Shares reserved under the Plan.

(c) PURCHASE PRICE. The purchase price of the Shares subject to each Option shall be the closing sales price for Shares or the closing bid if no sales were reported, as quoted on the National Market System of NASDAQ, on the Grant Date of such Option, or on the last preceding business day if such Grant Date is not a business day.

(d) PAYMENT OF PURCHASE PRICE. The purchase price of Shares acquired pursuant to an Option shall be paid in full at the time the Option is exercised in cash or by delivery of any property other than cash (including Shares, or other securities of the Company), so long as such property constitutes valid consideration for the Shares purchased under applicable law and is surrendered in good form for transfer, or by some combination of cash and such other property; provided, however, that Options may not be exercised by the delivery of Shares more frequently than at six-month intervals.

(e) TRANSFERABILITY. No Option shall be transferable otherwise than by will or the laws of descent and distribution, and an Option shall be exercisable during the Eligible Director's lifetime only by the Eligible Director.

(f) TERMINATION OF MEMBERSHIP ON THE BOARD. If an Eligible Director's membership on the Board terminates for any reason, an Option held at the date of termination may be exercised in whole or in part at any time within one year after the date of such termination (but in no event after the term of the Option expires) and shall thereafter terminate.

(g) CAPITALIZATION CHANGES. If any change is made in the Shares subject to the Plan or subject to any Option granted under the Plan, through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or otherwise, the Board shall make appropriate adjustments as to the maximum number of Shares subject to the Plan, the number of Shares covered by any Option grant, the maximum number of Shares for which Options may be granted to any Eligible Director, and the

number of Shares and price per Share covered by outstanding Options.

(h) CHANGE OF OWNERSHIP. In the event of (x) a dissolution or liquidation of the Company, (y) a merger or consolidation in which the Company is not the surviving corporation, or (z) any other capital reorganization in which more than fifty percent (50%) of the shares of the Company entitled to vote are exchanged, the Company shall give to the Eligible Director, at the time of adoption of the plan for liquidation, dissolution, merger, consolidation or reorganization, either (i) a reasonable time thereafter within which to exercise the Option, prior to the effectiveness of such liquidation, dissolution, merger, consolidation or reorganization, at the end of which time the Option shall terminate, or (ii) the right to exercise the Option as to an equivalent number of shares of stock of the corporation succeeding the Company or acquiring its business by reason of such liquidation, dissolution, merger, consolidation or reorganization.

7. USE OF PROCEEDS.

Proceeds from the sale of Shares pursuant to this Plan shall be used by the Company for general corporate purposes.

8. LEGAL REQUIREMENTS.

The Company shall not be obligated to offer or sell any Shares except in compliance with all applicable federal and state securities laws and any rules and regulations thereunder. Any certificates representing shares purchased upon exercise of an Option shall bear appropriate legends.

9. AMENDMENT OF PLAN.

The Board may amend the Plan at any time. No amendment adopted without stockholder approval may increase the number of shares as to which Options may be granted, reduce the exercise price below the price provided in the Plan, modify the requirements as to eligibility for participation, or materially increase the benefits accruing under the Plan. No amendment shall

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affect the rights of the holder of any Option, except with that holder's consent.

10. TERMINATION OR SUSPENSION OF PLAN.

The Board at any time may suspend or terminate this Plan. This Plan, unless sooner terminated, shall terminate on the tenth anniversary of its adoption by the Board. No Option may be granted under this Plan while this Plan is suspended or after it is terminated. Suspension or termination of this Plan shall not affect the rights of the holder of any Option, except with that holder's consent.

11. STOCKHOLDER APPROVAL.

This Plan is subject to approval, at a duly held stockholders' meeting within 12 months after the date the Board approves this Plan, by the affirmative vote of a majority of the votes cast at which a quorum of the voting power of the Company is represented in person or by proxy. Options may be granted, but not exercised, before such stockholder approval. If the stockholders fail to approve this Plan within the required time period, any Options granted under this Plan shall be void, and no additional Options shall be granted.

* * * *

Adopted by the Board of Directors: January 31, 1990
Approved by the stockholders on May 30, 1990.
Amended by the Board of Directors on December 12, 1991.
Amendments approved by the stockholders on June 16, 1992.
Amended by the Board of Directors on June 14, 1995.

1987 EMPLOYEE STOCK OPTION PLAN

OF

SEQUUS PHARMACEUTICALS, INC.

1. PURPOSE OF THE PLAN

The purposes of the 1987 Employee Stock Option Plan (the "Plan") of SEQUUS Pharmaceuticals, Inc., a Delaware corporation (the "Company") are to;

(a) Furnish incentive to individuals chosen to receive options because they are considered capable of responding by improving operations and increasing profits;

(b) Encourage selected employees to accept or continue employment with the Company or its Affiliates; and

(c) Increase the interest of selected employees in the Company's welfare through their participation in the growth in value of the Common Stock of the Company (the "Common Stock").

To accomplish the foregoing objectives, this Plan provides a means whereby employees of the Company and its Affiliates may receive options to purchase Common Stock. Options granted under this Plan will be either incentive stock options ("ISOs") intended to qualify as such under Section 422A of the Internal Revenue Code of 1986, as amended (the "Code") or nonqualified options ("NQOs") not intended to qualify as ISOs.

2. ELIGIBLE PERSONS

Every person who at the date of grant is a full-time employee of the Company or of any Affiliate (as defined below) of the Company is eligible to receive NQOs or ISOs under this Plan. The term "Affiliate" as used in the Plan means a parent or subsidiary corporation as defined in the applicable provisions (currently Section 425) of the Code. The term "employee" includes an officer or director who is an employee, as well as a non-officer, non-director regular employee of the Company.

3. STOCK SUBJECT TO THIS PLAN

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The total number of shares of stock which may be granted pursuant to this Plan is 5,000,000 shares of Common Stock. Grants to the directors of the Company of options under this Plan may not account for more than 250,000 shares of Common Stock, UNLESS the Administrator (as defined in Section 4) determines that the foregoing provision is not necessary to comply with the provisions of Rule 16b-3 promulgated by the Securities and Exchange commission ("Rule 16b-3") or that Rule 16b-3 is not applicable to the Plan. The Company may not issue

options to purchase more than 400,000 shares of stock to any one participant in any one year. The shares covered by the portion of any grant which expires unexercised under the Plan shall become available again for grants under the Plan. The number of shares reserved for purchase under the Plan is subject to adjustment in accordance with the provisions for adjustment in the Plan.

4. ADMINISTRATION

This Plan shall be administered by the Board of Directors of the Company (the "Board") or by a committee appointed by the Board which shall not have less than two Board members (in either case, the "Administrator"). No option shall be granted to (a) a director of the Company except (i) by the Board when a majority of the members of the Board, and a majority of the directors acting in the matter, are disinterested persons, or (ii) by the Administrator when the Administrator is composed of three or more persons having full authority to act in the matter and each member of the Administrator is a disinterested person, or (b) to an officer of the Company except (i) by the Board, or (ii) by the Administrator when the Administrator is composed solely of three or more directors, or is composed of three or more persons having full authority to act in the matter and each member of the Administrator is a disinterested person, UNLESS, in either case, the Administrator determines that the foregoing provision is not necessary to comply with the provisions of Rule 16b-3 or that Rule 16b-3 is not applicable to the Plan. "Disinterested person," for this purpose, shall have the same meaning as in Rule 16b-3 or any successor rule under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Administrator may delegate nondiscretionary administrative duties to such employees of the Company as it deems proper. Subject to the provisions of this Plan, the Administrator shall have the authority to select the persons to receive options under this Plan, to fix the number of shares that each optionee may purchase, to set the terms and conditions of each option (including whether each option should be a NQO or an ISO), and to determine all other matters relating to this Plan. No member of the Administrator shall be liable for any act or omission on such member's own part, including but not limited to the exercise of any power or discretion given to such member under this Plan, except for those acts or omissions resulting from such member's own gross negligence or willful misconduct. All questions of interpretation, implementation, and application of this Plan shall be determined by the Administrator. Such determinations shall be final and binding on all persons.

5. GRANTING OF OPTIONS

No options shall be granted under this Plan after ten years from the date of adoption of this Plan by the Board of Directors.

Each option shall be evidenced by a written stock option agreement, in form satisfactory to the Company, executed by the Company and the person to whom such option is granted; provided, however, that the failure by the Company, the optionee, or both to execute such an agreement shall not invalidate the granting of an option. The agreement shall specify whether each option it evidences is a NQO or an ISO.

The Administrator may approve the grant of options under this Plan to persons who are expected to become employees of the Company, but are not employees at the date of approval. In such cases, the option shall be deemed granted, without further approval, on the date the grantee becomes an employee and must satisfy all requirements of this Plan for options granted on that date.

6. TERMS AND CONDITIONS OF OPTIONS

Each option granted under this Plan shall be designated as a NQO or an ISO. Each option shall be subject to the terms and conditions set forth in Section 6.1. NQOs shall be also subject to the terms and conditions set forth in Section 6.2, but not those set forth in Section 6.3. ISOs shall also be subject to the terms and conditions set forth in Section 6.3, but not those set

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forth in Section 6.2.

6.1 TERMS AND CONDITIONS TO WHICH ALL OPTIONS ARE SUBJECT. All options granted under this Plan shall be subject to the following terms and conditions:

6.1.1 CHANGES IN CAPITAL STRUCTURE. Subject to Section 6.1.2, if the stock Of the Company is changed by reason of a stock split, reverse stock split, stock dividend, or recapitalization, or converted into or exchanged for other securities as a result of a merger, consolidation or reorganization, appropriate adjustments shall be made in (a) the number and class of shares of stock subject to this Plan and each option outstanding under this Plan, and (b) the exercise price of each outstanding option; provided, however, that the Company shall not be required to issue fractional shares as a result of any such adjustments. Each such adjustment shall be subject to approval by the Board of Directors in its sole discretion.

6.1.2 CORPORATE TRANSACTIONS. New option rights may be substituted for the option rights granted under this Plan, or the Company's obligations as to options outstanding under this Plan may be assumed, by an employer corporation other than the Company, or by a parent or subsidiary of such employer corporation, in connection with any merger, consolidation, acquisition, separation, reorganization, liquidation or like occurrence in which the Company is involved, in such manner that the then outstanding options which are ISOs will continue to be "incentive stock options" within the meaning of Section 422A of the Code to the full extent permitted thereby. Notwithstanding the foregoing or the provisions of Section 6.1.1, if such

employer corporation, or parent or subsidiary of such employer corporation, does not substitute new and substantially equivalent option rights for the option rights granted hereunder, or assume the option rights granted hereunder, the option rights granted hereunder shall terminate (a) upon dissolution or liquidation of the Company, or similar occurrence, or (b) upon any merger, consolidation, acquisition, separation, or similar occurrence, where the Company will not be a surviving corporation; provided, however, that each optionee shall be mailed notice at least thirty-five (35) days prior to such dissolution, liquidation, merger, consolidation, acquisition, separation, or similar occurrence, and shall have at least thirty (30) days after the mailing of such notice to exercise any unexpired option rights granted hereunder to the extent exercisable on the date of such event.

6.1.3 TIME OF OPTION EXERCISE. Except as determined otherwise by the Administrator, options granted under this Plan shall be exercisable (a) immediately as of the effective date of the stock option agreement granting the option, or (b) at such other times as are specified in the written stock option agreement relating to such option.

6.1.4 OPTION GRANT DATE. Except in the case of advance approvals described in Section 5, the date of grant of an option under this Plan shall be the date as of which the Administrator approves the grant. No option shall be exercisable, however, until a written stock option agreement in form satisfactory to the Company is executed by the Company and the optionee.

6.1.5 NONASSIGNABILITY OF OPTION RIGHTS. No option granted under this Plan shall be assignable or otherwise transferable by the optionee except by will or by the laws of descent and distribution. During the life of the optionee, an option shall be exercisable only by the optionee.

6.1.6 PAYMENT. Except at provided below, payment in full, in cash, shall be made for all stock purchased at the time written notice of exercise of an option is given to the Company, and proceeds of any payment shall constitute general funds of the Company. At the time an option is granted or exercised, the Administrator, in the exercise of its absolute discretion, may authorize any one or more of the following additional methods of payment:

(a) Acceptance of the optionee's full recourse promissory note for all or part of the option price (except for the aggregate par value of the shares being acquired, which must be paid by means of consideration lawful under applicable state law other than such promissory note) payable on such terms and bearing such interest rate as determined by the Administrator (but in no event less than the minimum interest rate specified by federal tax law at which no additional interest would be imputed), which promissory note may be either secured or

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unsecured in such manner as the Administrator shall approve (including, without limitation, by a security interest in the shares of the Company); and

(b) Delivery by the optionee of Common Stock already owned by the optionee for all or part of the option price, provided the value (determined as set forth in Section 6.1.11) of such Common Stock is equal on the date of exercise to the option price, or such portion thereof as the optionee is authorized to pay by delivery of such stock; provided, however, that if an optionee has exercised any portion of any option granted by the Company by delivery of Common Stock, the optionee may not, within six months following such exercise, exercise any option granted under this Plan by delivery of Common Stock.

6.1.7 TERMINATION OF EMPLOYMENT. Unless determined otherwise by the Administrator, in its absolute discretion, option rights granted under this Plan, to the extent such rights have not then expired or been exercised, shall terminate (a) three months, in the case of ISOs and for optionees who are not subject to Section 16(b) of the Exchange Act, and (b) seven months, in the case of NQOs held by an optionee subject to Section 16(b) of the Exchange Act, after an optionee ceases, for any reason, to be an employee or director of the Company or any Affiliate of the Company, and shall not be exercisable on or after said date; provided, that such option rights are exercisable after the date of such termination only to the extent they were exercisable on the date of termination; and provided further, that if termination of employment is due to the disability or death of the optionee, the optionee, or the optionee's personal representative or any other person who acquires the option rights from the optionee by will or the applicable laws of descent and distribution, may within twelve months after the termination of employment, exercise the rights to the extent they were exercisable on the date of the termination. A transfer of an optionee from the Company to an Affiliate or vice versa, or from one Affiliate to another, or a leave of absence duly authorized by the Company, shall not be deemed a termination of employment or a break in continuous employment.

6.1.8 REPURCHASE OF STOCK. At the option of the Administrator, the stock to be delivered pursuant to the exercise of any option granted to an employee under this Plan may be subject to a right of repurchase (the "Right of Repurchase") in favor of the Company with respect to any employee whose employment with the Company is terminated. Such Right of Repurchase shall be at the option exercise price and shall expire in accordance with a schedule related to the date of the grant of the option, the date of first employment, or such other date as may be set by the Administrator (in any case, the "Vesting Base Date") with respect to each option grant, as determined by the Board of Directors; provided, that subject to section 6.1.2, in the event of a sale of the Company or substantially all of the assets or stock of the Company to another entity, or a merger in

which the Company is not the surviving entity, the Board of Directors, in its absolute discretion, may accelerate the expiration of the Right of Repurchase with respect to all or any portion of the shares issuable upon exercise of any outstanding option. Determination of the number of shares subject to such Right of Repurchase shall be made as of the date the employee's employment by the Company terminates, not as of the date that any option granted to such employee is exercised.

6.1.9 WITHHOLDING AND EMPLOYMENT TAXES. At the time of exercise of an option, the optionee shall remit to the Company in cash all applicable federal and state withholding and employment taxes. The Administrator may, in the exercise of the Administrator's sole discretion, permit an optionee to pay some or all of such taxes by means of a promissory note on such terms as the Administrator deems appropriate. If and to the extent authorized by the Administrator in its absolute discretion after March 1, 1989, an optionee may make an election, by means of a form of election to be prescribed by the Administrator, to have shares of Common Stock which are acquired upon exercise of the option or other securities of the Company withheld by the Company or to tender to the Company other shares of Common Stock or other securities of the Company owned by the optionee on the date of determination of the amount of tax to be withheld as a result of exercise of such option (the "Tax Date") to pay the amount of tax that is required by law to be withheld by the Company as a result of the exercise of such option from amounts payable to such person, subject to the following limitations (unless, except in the case of subparagraphs (a) and (b), Rule 16b-3 is not applicable to Plan):

(a) such election shall be irrevocable;

(b) such election shall be subject to the disapproval of the Administrator at any time;

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(c) such election may not be made within six months of the grant date of the option the exercise of which resulted in the tax withholding obligation (except that this limitation shall not apply in the event of death or disability of such person occurring prior to the expiration of the six-month period); and

(d) such election must be made either (i) at least six months prior to the Tax Date, or (ii) in any ten business-day period beginning on the third business day following the date of release by the Company for publication of quarterly or annual summary statements of sales or earnings of the Company.

Any securities so withheld or tendered will be valued by the Company as of the Tax Date.

6.1.10 OTHER PROVISIONS. Each option granted under this Plan may contain such other terms, provisions, and conditions not inconsistent with this Plan as may be determined

by the Administrator, and each ISO granted under this Plan shall include such provisions and conditions as are necessary to qualify the option as an "incentive stock option" within the meaning of Section 422A of the Code.

6.1.11 DETERMINATION OF VALUE. For purposes of the Plan, the value of Common Stock or other Securities of the Company shall be determined as follows:

(a) if the stock of the Company is listed on any established stock exchange or a national market system, including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System, its fair market value shall be the closing sales price for such stock or the closing bid if no sales were reported, as quoted on such system or exchange (or the largest such exchange) for the date the value is to be determined (or if there are no sales for such date, then for the last preceding business day on which there were sales), as reported in the WALL STREET JOURNAL or similar publication.

(b) If the stock of the Company is regularly quoted by a recognized securities dealer but selling prices are not reported, its fair market value shall be the mean between the high bid and low asked prices for the stock on the date the value is to be determined (or if there are no quoted prices for the date of grant, then for the last preceding business day on which there were quoted prices).

(c) In the absence of an established market for the stock, the fair market value thereof shall be determined in good faith by the Administrator, with reference to the Company's net worth, prospective earning power, dividend-paying capacity, and other relevant factors, including the goodwill of the Company, the economic outlook in the Company's industry, the Company's position in the industry and its management, and the values of stock of other corporations in the same or a similar line of business.

6.2 TERMS AND CONDITIONS TO WHICH ONLY NQOs ARE SUBJECT. Options granted under this Plan which are designated as NQOs shall be subject to the following terms and conditions:

6.2.1 EXERCISE PRICE. The exercise price of a NQO shall be not less than 85 percent of the fair market value (determined in accordance with Section 6.1.11) of the stock subject to the option on the date of grant, except that the exercise price of a NQO granted to any person who owns, directly or indirectly, (or is treated as owning by reason of attribution rules, currently set forth in Code Section 425) stock of the Company constituting more than ten percent of the total combined voting power of all classes of the outstanding stock of the Company or of any Affiliate of the Company (a "Ten Percent Stockholder"), shall in no event be less than 110 percent of such fair market value.

6.2.2 OPTION TERM. Unless an earlier expiration date is specified by the Administrator at the time of grant, each NQO granted under this Plan shall expire ten years and two days from the date of its grant, except that a NQO granted to any Ten Percent Stockholder shall expire five years from the date of its grant.

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6.3 TERMS AND CONDITIONS TO WHICH ONLY ISOs ARE SUBJECT. Options granted under this Plan which are designated as ISOs shall be subject to the following terms and conditions:

6.3.1 EXERCISE PRICE. The exercise price of an ISO, which shall be approved by the Board of Directors, shall be determined in accordance with the applicable provisions of the Code and shall in no event be less than the fair market value (determined as described in section 6.1.11) of the stock covered by the option at the time the option is granted, except that the exercise price of an ISO granted to any Ten Percent Stockholder shall in no event be less than 110 percent of such fair market value.

6.3.2 EXPIRATION. Unless an earlier expiration date is specified by the Administrator at the time of grant, each ISO granted under this Plan shall expire ten years from the date of its grant, except that an ISO granted to any Ten Percent Stockholder shall expire five years from the date of its grant.

6.3.3 EXERCISE OF AN ISO BY AN EMPLOYEE WHO HOLDS OTHER ISOs. An ISO granted under this Plan shall be exercisable in accordance with Section 6.1.3, subject to the limitations set forth in Sections 5 and 6.3.5.

6.3.4 DISQUALIFYING DISPOSITIONS. If stock acquired by exercise of an ISO granted pursuant to this Plan is disposed of within two years from the date of grant of the option or within one year after the transfer of the stock to the optionee, the holder of the stock immediately prior to the disposition shall promptly notify the Company in writing of the date and terms of the disposition and shall provide such other information regarding the disposition as the Company may reasonably require.

7. MANNER OF EXERCISE

An optionee wishing to exercise an option shall give written notice to the Company at its principal executive office, to the attention of the officer of the Company designated by the Administrator, accompanied by payment of the exercise price as provided in Section 6.1.6. The date the Company receives written notice of an exercise hereunder accompanied by payment of the exercise price, and, if required, by payment of any federal or state withholding or employment taxes required to be withheld by virtue of the exercise of the option, will be considered as the date such option was exercised.

Promptly after receipt of written notice of exercise of an option, the Company shall, without stock issue or transfer taxes to the optionee or other person entitled to exercise the option, deliver to the optionee or such other person a certificate or certificates for the requisite number of shares of stock. An optionee or transferee of an optionee shall not have any privileges as a stockholder with respect to any stock covered by the option until the date of issuance of a stock certificate.

8. EMPLOYMENT RELATIONSHIP

Nothing in this Plan or any option granted thereunder shall interfere with or limit in any way the right of the Company or of any of its Affiliates to terminate any optionee's employment at any time, nor confer upon any optionee any right to continue in the employ of the Company or any of its Affiliates.

9. AMENDMENT, SUSPENSION OR TERMINATION OF THIS PLAN

The Board of Directors may at any time amend, alter, suspend or discontinue this Plan, except to the extent that stockholder approval is required by applicable law; provided, however, that no amendment, alteration, suspension or discontinuation shall be made that would impair the rights of any optionee under any option theretofore granted, without his consent, or that, without the affirmative vote of a majority of the votes cast at a meeting at which a quorum of the voting power of the Company is represented in person or by proxy, would:

(a) Except as is provided in Section 6.1.1 of this Plan, increase the total number of shares of stock reserved for the purposes of this Plan;

(b) Extend the duration of this Plan; or

(c) Change the class of persons eligible to receive options granted hereunder.

The Board of Directors may, at any time without stockholder approval, amend the Plan and the terms of any option outstanding under the Plan,

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provided that such amendment is designed to maximize federal income tax benefits accorded to employee stock options and provided further, that with respect to outstanding options, the optionee consents to such amendment.

10. EFFECTIVE DATE OF THIS PLAN

This Plan shall become effective upon adoption by the Board of Directors, provided, however, that no option shall be exercisable unless and until written consent of the stockholders, of the Company, or approval by stockholders of the Company voting at a validly called stockholders meeting and holding a majority (or such greater number as may be required by law or applicable governmental regulations or orders) of the shares entitled to vote, is obtained within 12 months after adoption by the Board of

Directors. Options may be granted and exercised under this Plan only after there has been compliance with all applicable federal and state securities laws.

Plan adopted by the Board of Directors on December 10, 1987.
Plan approved by stockholders on March 1, 1988.
Plan amended by the Board of Directors on January 25, 1990.
Amendments approved by stockholders on May 30, 1990.
Plan amended by Board of Directors on December 12, 1991.
Amendments approved by stockholders on June 16, 1992.
Plan amended by Board of Directors on June 14, 1995.

1987 CONSULTANT STOCK OPTION PLAN
OF
SEQUUS PHARMACEUTICALS, INC.

1. PURPOSE OF THE PLAN

The purposes of the 1987 Consultant Stock Option Plan (the "Plan") of SEQUUS Pharmaceuticals, Inc., a Delaware corporation (the "Company") are to:

(a) Furnish incentive to individuals chosen to receive options because they are considered capable of responding by improving operations and increasing profits;

(b) Encourage selected consultants to accept or continue employment with the Company or its Affiliates; and

(c) Increase the interest of selected consultants in the Company's welfare through their participation in the growth in value of the Common Stock of the Company (the "Common Stock").

To accomplish the foregoing objectives, this Plan provides a means whereby consultants to the Company and its Affiliates may receive options to purchase Common Stock. Options granted under this Plan will be nonqualified options ("NQOs") subject to federal income taxation upon exercise.

2. ELIGIBLE PERSONS

Every person who at the date of grant is a consultant to the Company or to any Affiliate (as defined below) of the Company, other than a consultant who is also a director of the Company or of any Affiliate, is eligible to receive NQOs under this Plan. The term "Affiliate" as used in the Plan means a parent or subsidiary corporation as defined in the applicable provisions (currently Section 425) of the Internal Revenue Code of 1986, as amended, or any successor statute (the "Code"). The term "consultant" includes persons employed by, or otherwise affiliated with, a consultant.

3. STOCK SUBJECT TO THIS PLAN

The total number of shares of stock which may be granted pursuant to this Plan is 350,000 shares of Common Stock. The shares covered by the portion of any grant which expires unexercised under the Plan and the share repurchased by the Company in accordance with the terms of the Plan shall become available again for grants under the Plan. The number of shares reserved for purchase under the Plan is subject to adjustment in accordance with the provisions for adjustment in the Plan.

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4. ADMINISTRATION

This Plan shall be administered by the Board of Directors of the Company (the "Board") or by a committee appointed by the Board which shall not have less than two Board members (in either case, the "Administrator"). No option shall be granted to a director of the Company except (a) by the Board when a majority of the members of the Board, and a majority of the directors acting in the matter, are disinterested persons, or (b) by the Administrator when the Administrator is composed of three or more persons having full authority to act in the matter and each member of the Administrator is a disinterested person, UNLESS the Administrator determines that the foregoing provision is not necessary to comply with the provisions of Rule 16b-3 promulgated by the Securities and Exchange Commission ("Rule 16b-3") or that Rule 16b-3 is not applicable to the Plan. "Disinterested person," for this purpose, shall have the same meaning as in Rule 16b-3 or any successor rule under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Administrator may delegate nondiscretionary administrative duties to such employees of the Company as it deems proper. Subject to the provisions of this Plan, the Administrator shall have the authority to select the persons to receive options under this Plan, to fix the number of shares that each optionee may purchase, to set the terms and conditions of each option, and to determine all other matters relating to this Plan. No member of the Administrator shall be liable for any act or omission on such member's own part, including but not limited to the exercise of any power or discretion given to such member under this Plan, except for those acts or omissions resulting from such member's own gross negligence or willful misconduct. All questions of interpretation, implementation, and application of this Plan shall be determined by the Administrator. Such determinations shall be final and binding on all persons.

5. GRANTING OF OPTIONS

No options shall be granted under this Plan after ten years from the date of adoption of this Plan by the Board of Directors.

Each option shall be evidenced by a written stock option agreement, in form satisfactory to the Company, executed by the Company and the person to whom such option is granted; provided, however, that the failure by the Company, the optionee, or both to execute such an agreement shall not invalidate the granting of an Option.

The Administrator may approve the grant of options under this Plan to persons who are expected to become consultants to the Company, but are not consultants at the date of approval. In such cases, the option shall be deemed granted, without further approval, on the date the grantee becomes a consultant and must satisfy all requirements of this Plan for options granted on that date.

6. TERMS AND CONDITIONS OF OPTIONS

Each option shall be subject to the terms and conditions set forth in this Section 6.

6.1 CHANGES IN CAPITAL STRUCTURE. Subject to Section 6.2, if the stock of the Company is changed by reason of a stock split, reverse stock split, stock dividend, or recapitalization, or converted into or exchanged for other securities as a result of a merger, consolidation or reorganization, appropriate adjustments shall be made in (a) the number and class of shares of stock subject to this Plan and each option outstanding under this Plan, and (b) the exercise price of each outstanding option; provided, however, that the Company shall not be required to issue fractional shares as a result of any such adjustments. Each such adjustment shall be subject to approval by the Board of Directors in its sole discretion.

6.2 CORPORATE TRANSACTIONS. New option rights may be substituted for the option rights granted under this Plan, or the Company's obligations as to options outstanding under this Plan may be assumed, by an employer corporation other than the Company, or by a parent or subsidiary of such employer corporation, in connection with any merger, consolidation, acquisition, separation, reorganization, liquidation or like occurrence in which the Company is involved. Notwithstanding the foregoing or the provisions of Section 6.1, if such employer corporation, or parent or subsidiary of such employer corporation, does not substitute new and substantially equivalent option rights for the option rights granted hereunder, or assume the option

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rights granted hereunder, the option rights granted hereunder shall terminate (a) upon dissolution or liquidation of the Company, or similar occurrence, or (b) upon any merger, consolidation, acquisition, separation, or similar occurrence, where the Company will not be a surviving corporation; provided, however, that each optionee shall be mailed notice at least thirty-five (35) days prior to such dissolution, liquidation, merger, consolidation, acquisition, separation, or similar occurrence, and shall have at least thirty (30) days after the mailing of such notice to exercise any unexpired option rights granted hereunder to the extent exercisable on the date of such event.

6.3 TIME OF OPTION EXERCISE. Options granted under this Plan shall be exercisable (a) immediately as of the effective date of the stock option agreement granting the option, or (b) at such other times as are specified in the written stock option agreement relating to such option.

6.4 OPTION GRANT DATE. Except in the case of advance approvals described in Section 5, the date of grant of an option under this Plan shall be the date as of which the Administrator approves the grant. No option shall be exercisable, however,

until a written stock option agreement in form satisfactory to the Company is executed by the Company and the optionee.

6.5 NONASSIGNABILITY OF OPTION RIGHTS. No option granted under this Plan shall be assignable or otherwise transferable by the optionee except by will or by the laws of descent and distribution. During the life of the optionee, an option shall be exercisable only by the optionee.

6.6 PAYMENT. Except as provided below, payment in full, in cash, shall be made for all stock purchased at the time written notice of exercise of an option is given to the Company, and proceeds of any payment shall constitute general funds of the Company. At the time an option is granted or exercised, the Administrator, in the exercise of its absolute discretion, may authorize any one or more of the following additional methods of payment:

(a) Acceptance of the optionee's full recourse promissory note for all or part of the option price (except for the aggregate par value of the shares being acquired, which must be paid by means of consideration lawful under applicable state law other than such promissory note), payable on such terms and bearing such interest rate as determined by the Administrator (but in no event less than the minimum interest rate specified by federal tax law at which no additional interest would be imputed), which promissory note may be either secured or unsecured in such manner as the Administrator shall approve (including, without limitation, by a security interest in the shares of the Company); and

(b) Delivery by the optionee of Common Stock already owned by the optionee for all or part of the option price, provided the value (determined as set forth in Section 6.11) of such Common Stock is equal on the date of exercise to the option price, or such portion thereof as the optionee is authorized to pay by delivery of such stock; provided, however, that if an optionee has exercised any portion of any option granted by the Company by delivery of Common Stock, the optionee may not, within six months following such exercise, exercise any option granted under this Plan by delivery of Common Stock.

6.7 TERMINATION OF CONSULTANCY. Unless determined otherwise by the Administrator, in its absolute discretion, option rights granted under this Plan, to the extent such rights have not then expired or been exercised, shall terminate (a) three months for optionees who are not subject to Section 16(b) of the Exchange Act, and (b) seven months for optionees subject to Section 16(b) of the Exchange Act, after an optionee ceases, for any reason, to be a consultant to the Company or any Affiliate of the Company, and shall not be exercisable on or after said date; provided, that such option rights are exercisable after the date of such termination only to the extent they were exercisable on the date of termination; and provided further, that if termination of consultancy is due to the

disability or death of the optionee, the optionee, or the optionee's personal representative or any other person who acquires the option rights from the optionee by will or the applicable laws of descent and distribution, may within twelve months after the termination of consultancy, exercise the rights to the extent they were exercisable on the date of the termination. A transfer of an

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optionee from the Company to an Affiliate or vice versa, or from one Affiliate to another, or a leave of absence duly authorized by the Company, shall not be deemed a termination of consultancy or a break in continuous consulting relationship.

6.8 REPURCHASE OF STOCK. At the option of the Administrator, the stock to be delivered pursuant to the exercise of any option granted to a consultant under this Plan may be subject to a right of repurchase in favor of the Company with respect to any consultant whose consultancy to the Company is terminated. Such right of repurchase shall be at the option exercise price and shall expire on a schedule related to the date of grant of the option, the date of commencement of the consulting relationship, or such other date as may be set by the Administrator (in any case, the "Vesting Base Date") with respect to each option grant, as determined by the Board of Directors. Determination of the number of shares subject to such right of repurchase shall be made as of the date the consultant's consulting relationship with the Company terminates, not as of the date that any option granted to such consultant is exercised.

6.9 WITHHOLDING AND EMPLOYMENT TAXES. At the time of exercise of an option, the optionee shall remit to the Company in cash all applicable federal and state withholding and employment taxes. The Administrator may, in the exercise of the Administrator's sole discretion, permit an optionee to pay some or all of such taxes by means of a promissory note on such terms as the Administrator deems appropriate. If and to the extent authorized by the Administrator in its absolute discretion after March 1, 1989, an optionee may make an election, by means of a form of election to be prescribed by the Administrator, to have shares of Common Stock or other securities of the Company withheld by the Company or to tender to the Company other shares of Common Stock or other securities of the Company owned by the optionee on the date of determination of the amount of tax to be withheld as a result of exercise of such option (the "Tax Date") to pay the amount of tax that is required by law to be withheld by the Company as a result of the exercise of such option from amounts payable to such person, subject to the following limitations (unless, except in the case of subparagraphs (a) and (b), the Administrator determines that such limitations are not necessary to comply with the provisions of Rule 16b-3 or that Rule 16b-3 is not applicable to Plan);

(a) such election shall be irrevocable;

(b) such election shall be subject to the disapproval of the Administrator at any time;

(c) such election may not be made within six months of the grant date of the option the exercise of which resulted in the tax Withholding obligation (except that this limitation shall not apply in the event of death or disability of such person occurring prior to the expiration of the six-month period); and

(d) such election must be made either (i) at least six months prior to the Tax Date, or (ii) in any ten business-day period beginning on the third business day following the date of release by the Company for publication of quarterly or annual summary statements of sales or earnings of the Company.

Any securities so withheld or tendered will be valued by the Company as of the Tax Date.

6.10 OTHER PROVISIONS. Each option granted under this Plan may contain such other terms, provisions, and conditions not inconsistent with this Plan as may be determined by the Administrator.

6.11 DETERMINATION OF VALUE. For purposes of the Plan, the value of Common Stock or other securities of the Company shall be determined as follows:

(a) If the stock of the Company is listed on any established stock exchange or a national market system, including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System, its fair market value shall be the closing sales price for such stock or the closing bid if no sales were reported, as quoted on such system or exchange (or the largest such exchange) for the date the value is to be determined (or if there are no sales for such date, then for the last preceding business day on which there were sales), as reported in the WALL STREET JOURNAL or similar publication.

(b) If the stock of the Company is regularly quoted by a recognized securities dealer but selling prices are not reported, its fair market value shall be the mean between the high bid and low asked prices for the stock on the date the value is to be determined (or if there are no quoted

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prices for the date of grant, then for the last preceding business day on which there were quoted prices).

(c) In the absence of an established market for the stock, the fair market value thereof shall be determined in good faith by the Administrator, with reference to the Company's net worth, prospective earning power, dividend-paying capacity, and other relevant factors, including the goodwill of the Company, the economic outlook in the Company's industry, the Company's position in the industry and its management, and the values of stock of other corporations in the same or a similar line of business.

6.12 EXERCISE PRICE. The exercise price of an option shall be not less than 85 percent of the fair market value (determined in accordance with Section 6.11) of the stock subject to the option on the date of grant, except that the exercise price of an option granted to any person who owns, directly or indirectly, (or is treated as owning by reason of attribution rules, currently set forth in Code Section 425) stock of the Company constituting more than ten percent of the total combined voting power of all classes of the outstanding stock of the Company or of any Affiliate of the Company (a "Ten Percent Stockholder"), shall in no event be less than 110 percent of such fair market value.

6.13 OPTION TERM. Unless an earlier expiration date is specified by the Administrator at the time of grant, each option granted under this Plan shall expire ten years and two days from the date of its grant, except that an option granted to any Ten Percent Stockholder shall expire five years from the date of its grant.

7. MANNER OF EXERCISE

An optionee wishing to exercise an option shall give written notice to the Company at its principal executive office, to the attention of the officer of the Company designated by the Administrator, accompanied by payment of the exercise price as provided in Section 6.6. The date the Company receives written notice of an exercise hereunder accompanied by payment of the exercise price and, if required, by payment of any federal or state withholding or employment taxes required to be withheld by virtue of exercise of the option, will be considered as the date such option was exercised.

Promptly after receipt of written notice of exercise of an option, the Company shall, without stock issue or transfer taxes to the optionee or other person entitled to exercise the option, deliver to the optionee or such other person a certificate or certificates for the requisite number of shares of stock. An optionee or transferee of an optionee shall not have any privileges as a stockholder with respect to any stock covered by the option until the date of issuance of a stock certificate.

8. CONSULTING RELATIONSHIP

Nothing in this Plan or any option granted thereunder shall interfere with or limit in any way the right of the Company or of any of its Affiliates to terminate any optionee's consulting relationship with the Company at any time, nor confer upon any optionee any right to continue to consult to the Company or to any of its Affiliates.

9. FINANCIAL INFORMATION

The Company shall provide during the period an option is outstanding to each holder of such option a copy of the

financial statements of the Company as prepared either by the Company or independent certified public accountants of the Company. Such financial statements shall be delivered as soon as practicable following the end of the Company's fiscal year during the period options are outstanding.

10. AMENDMENT, SUSPENSION OR TERMINATION OF THIS PLAN

The Board of Directors may at any time amend, alter, suspend or discontinue this Plan, except to the extent that stockholder approval is required by applicable law; provided, however, that no amendment, alteration, suspension or discontinuation shall be made that would impair the rights of any optionee under any option theretofore granted, without his consent, or that,

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without the approval of the holders of a majority of the outstanding shares of the Company, would:

(a) Except as is provided in Section 6.1 of this Plan, increase the total number of shares of stock reserved for the purposes of this Plan;

(b) Extend the duration of this Plan; or

(c) Change the class of persons eligible to receive options granted hereunder.

The Board of Directors may, at any time without stockholder approval, amend the Plan and the terms of any option outstanding under the Plan, provided that such amendment is designed to maximize federal income tax benefits accorded to stock options and provided further, that with respect to outstanding options, the optionee consents to such amendment.

11. EFFECTIVE DATE OF THIS PLAN

This Plan shall become effective upon adoption by the Board of Directors, provided, however, that no option shall be exercisable unless and until written consent of the stockholders of the Company, or approval by stockholders of the Company voting at a validly called stockholders meeting and holding a majority (or such greater number as may be required by law or applicable governmental regulations or orders) of the shares entitled to vote, is obtained within 12 months after adoption by the Board of Directors. Options may be granted and exercised under this Plan only after there has been compliance with all applicable federal and state securities laws.

Plan adopted by the Board of Directors on December 10, 1987.
Plan approved by the stockholders on March 1, 1988.
Plan amended by the Board of Directors on December 12, 1991.
Amendments approved by the stockholders on June 16, 1992.
Plan amended by the Board of Directors on June 14, 1995.

SEQUUS PHARMACEUTICALS, INC.

EMPLOYEE STOCK PURCHASE PLAN

1. PURPOSE

The Employee Stock Purchase Plan (the "Plan") is designed to encourage and assist employees of SEQUUS Pharmaceuticals, Inc., its parent and participating subsidiaries, if any (collectively, the "Company") to acquire an equity interest in the Company through the purchase of shares of Common Stock.

2. ADMINISTRATION

The Plan shall be administered by the Board of Directors (or a committee of two or more "disinterested" directors, which in either case is referred to as the "Board") in accordance with Rule 16b-3 of the Securities and Exchange Commission, as in effect from time to time. Any committee or persons as the Board may from time to time select (the "Administrator") shall be responsible for any matters for which a "disinterested administrator" is not required by Rule 16b-3. Subject to the express provisions of the Plan, to the overall supervision of the Board, and to the limitations of Section 423 or any successor provision of the Internal Revenue Code of 1986, as amended (the "Code"), the Administrator may administer and interpret the Plan in any manner

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it believes to be desirable, and any such interpretation shall be conclusive and binding on the Company and all participants.

3. NUMBER OF SHARES

The Company has reserved for sale under the Plan 250,000 shares of Common Stock. Shares sold under the Plan may be newly issued shares or shares reacquired in private transactions or open market purchases, but all shares sold under the Plan regardless of source shall be counted against the 250,000-share limitation.

In the event of any reorganization, recapitalization, stock split, reverse stock split, stock dividend, combination of shares, merger, consolidation, offering of rights, or other similar change in the capital structure of the Company, the Administrator may make such adjustment, if any, as it deems appropriate in the number, kind, and purchase price of the shares available for purchase under the Plan and in the maximum number of shares subject to any option under the Plan.

4. ELIGIBILITY REQUIREMENTS

Each employee, except those described in the next paragraph, shall become eligible to participate in the Plan in

accordance with Section 5 on the first Enrollment Date following employment by the Company. Participation in the Plan is entirely voluntary.

The following employees are not eligible to participate in the Plan:

(i) employees who would, immediately upon enrollment in the Plan, own directly or indirectly (including options or rights to acquire), an aggregate of more than five percent of the total combined voting power or value of all outstanding shares of all classes of the Company or any subsidiary; and

(ii) employees who are customarily employed by the Company less than 20 hours per week or less than five months in any calendar year.

"Employee" shall mean any individual who performs services for Sequus Pharmaceuticals, Inc. or any participating subsidiary pursuant to an employment relationship described in Treasury Regulations Section 31.3401(c)-l or any successor provision. "Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with Sequus Pharmaceuticals, Inc. if, as of the applicable Enrollment Date, each of the corporations other than the last corporation in the chain owns stock possessing 50% or more of the combined voting power of all classes of stock in one of the other corporations in the chain. A "participating subsidiary" shall mean a subsidiary which has been designated by the Administrator as covered by the Plan.

5. ENROLLMENT

Any eligible employee may enroll or re-enroll in the Plan as of the first trading day of any January, April, July, and October, or such other specific trading days established by the Administrator from time to time ("Enrollment Dates"). In order to enroll an eligible employee must complete, sign, and submit to the Company an enrollment form. Any enrollment form received by the Company before the 15th day of the month preceding an Enrollment Date, or such other date established by the Administrator from time to time ("Cut-Off Date"), will be effective on that Enrollment Date. As a condition to participation, each enrollee agrees to inform the Company promptly of the sale or other disposition of shares acquired under the Plan within either of the periods specified in Section 423(a)(1) of the Code (currently, two years from the date of grant of the option pursuant to which such shares were acquired and one year after the Purchase Date for such shares).

6. GRANT OF OPTIONS ON ENROLLMENT

Enrollment by a participant in the Plan on an Enrollment Date will constitute the grant by the Company to the participant of options to purchase shares of Common Stock from the Company under the Plan. The number of options granted will

equal the number of percentage points of salary that the participant elects to have withheld. An increase (but not a decrease) in the level of payroll withholding also constitutes the grant of new options for the incremental change

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in the percentage withheld but does not cancel outstanding options. Any participant whose options expire and who has not withdrawn from the Plan will automatically be re-enrolled in the Plan and granted new options (equal in number to the number of expiring options) on the Enrollment Date immediately following the Purchase Date on which his then-current options expire. Any date on which a participant is granted options under the Plan is referred to as a "Grant Date."

Each option granted under the Plan shall have the following terms:

(i) whether or not all shares have been purchased thereunder, the option will expire on the earlier to occur of (a) the completion of the purchase of shares on the last Purchase Date occurring within 27 months of the Grant Date for such option, or such shorter option period as may be established by the Board from time to time prior to an Enrollment Date for all options to be granted on such Enrollment Date, or (b) the date on which participation of such participant in the Plan terminates for any reason;

(ii) payment for shares purchased under the option will be made only through payroll withholding in accordance with Section 7;

(iii) purchase of shares upon exercise of the option will be accomplished only in installments in accordance with Section 8;

(iv) the price per share under the option will be determined as provided in Section 8;

(v) unless otherwise established by the Board from time to time prior to an Enrollment Date, the number of shares available for purchase under each option will be the quotient of (a) 75,000, divided by (b) the then fair market value of the Common Stock subject to option for all options to be granted on such Enrollment Date; provided, however, that in no event shall an option give the participant the right to purchase shares at a rate which accrues in excess of $75,000 of fair market value of such shares (determined at the Grant Date of such option) in any calendar year during which the option is outstanding;

(vi) notwithstanding clause (v), the option (taken together with all other options then outstanding under this Plan and under all other similar stock purchase plans of Sequus Pharmaceuticals, Inc. or any parent or subsidiary) will in no event give the participant the right to purchase shares at a rate which accrues in excess of $25,000 of fair market value of such shares (determined in accordance with Section 423(b)(8) of the Code at

the applicable grant dates) in any calendar year during which such participant is enrolled in the Plan at any time; and

(vii) the option will in all respects be subject to the terms and conditions of the Plan, as interpreted by the Administrator from time to time.

7. PAYROLL WITHHOLDING

Each participant may elect to make contributions at a rate equal to any whole percentage up to a maximum of 10%, or such other maximum percentage as the Board may establish from time to time before an Enrollment Date for all options to be granted on such Enrollment Date, of his or her monthly earnings from the Company. The rate of contribution shall be designated by the participant in the enrollment form. A participant may change the contribution rate effective as of any Enrollment Date by delivery to the Company not later than the related Cut-Off Date of a new enrollment form indicating the revised rate. An increase (but not a decrease) in the contribution rate constitutes the grant of new options. If the rate is decreased and there is more than one option outstanding, the participant may specify the option to which such decrease should apply.

Contributions shall be credited to a participant's account as soon as administratively feasible after payroll withholding. The Company shall be entitled to use of the contributions immediately after payroll withholding and shall have no obligation to pay interest on the contributions to any participant.

8. PURCHASE OF SHARES

On the last trading day of each March, June, September, and December, or on such other specific trading days as may be established by the Board from time to time prior to an Enrollment Date for all options to be granted on such Enrollment Date ("Purchase Dates"), the Company shall apply the funds then credited to each participant's account to the purchase of whole and fractional shares of Common Stock. The cost to the participant for the shares

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purchased under any option shall be 85% of the lower of:

(i) the closing price of Common Stock on the NASDAQ National Market System on the Grant Date for such option;

(ii) the closing price of Common Stock on the NASDAQ National Market System on that Purchase Date; or

(iii) if no closing price is reported on either of such dates, the closing price of the Common Stock on the NASDAQ National Market System on the date next preceding such Grant Date or such Purchase Date, as the case may be, on which a closing price is reported.

Certificates evidencing shares purchased on any Purchase Date shall be delivered as soon as administratively feasible, but participants shall be treated as the owners of their shares effective as of the Purchase Date. Any cash equal to less than the price of the smallest fractional share of Common Stock which may be purchased under the Plan left in a participant's payroll deduction account on a Purchase Date shall be carried forward in such participant's account for application on the next Purchase Date.

9. WITHDRAWAL FROM THE PLAN

A participant may withdraw from the Plan in full (but not in part) at any time. All funds credited to a participant's payroll deduction account shall be distributed to the participant without interest as soon as administratively feasible after the Company receives the withdrawal notice. An employee who has withdrawn may not return funds to the Company and require the Company to apply those funds to the purchase of shares. Any eligible employee who has withdrawn from the Plan may, however, enroll in the Plan again on any subsequent Enrollment Date in accordance with Section 5.

10. TERMINATION OF EMPLOYMENT

Participation in the Plan terminates immediately when a participant ceases to be employed by the Company for any reason whatsoever (including death or disability) or otherwise becomes ineligible to participate in the Plan. As soon as administratively feasible after termination, the Company shall pay to the participant or his or her beneficiary or legal representative all amounts credited to the participant's payroll deduction account.

11. LEAVE OF ABSENCE

Unless a participant has voluntarily withdrawn from the Plan, shares will be purchased for his or her account on the Purchase Date next following commencement of a leave of absence of such participant. Participation in the Plan will terminate immediately after the purchase of shares on such Purchase Date, however, unless:

(i) the leave of absence is of less than 90 days' duration and is due to illness, injury, or other cause approved by the Administrator; or

(ii) the participant's right to reemployment after such leave is guaranteed by contract or statute.

12. DESIGNATION OF BENEFICIARY

Each participant may designate one or more beneficiaries in the event of death and may, in his or her sole discretion, change such designation at any time. Any such

designation shall be effective upon receipt by the Company and shall control over any disposition by will or otherwise.

As soon as administratively feasible after the death of a participant, amounts credited to the participant's payroll deduction account shall be paid in cash to the designated beneficiaries or, in the absence of a designation, to the executor, administrator, or other legal representative of his or her estate. Such payment shall relieve the Company of further liability with respect to the Plan on account of the deceased participant. If more than one beneficiary is designated, each beneficiary shall receive an equal portion of the account unless the participant has given express contrary instructions.

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13. ASSIGNMENT

No participant may assign his or her rights under the Plan by operation of law or otherwise. No participant may create a lien on any funds, securities, rights, or other property held by the Company for the account of the participant under the Plan, except to the extent that there has been a designation of beneficiaries in accordance with the Plan, and except to the extent permitted by the laws of descent and distribution if beneficiaries have not been designated.

A participant's right to purchase shares under the Plan shall be exercisable only during the participant's lifetime and only by him or her, except that a participant may direct the Company in the enrollment form to issue share certificates to the participant jointly with one or more other persons with right of survivorship, in spousal community property, or to certain forms of trusts approved by the Administrator.

14. ADMINISTRATIVE ASSISTANCE

If the Administrator in its discretion so elects, it may retain a brokerage firm, bank, or other financial institution to assist in the purchase of shares, delivery of reports, or other administrative aspects of the Plan. If the Administrator so elects, each participant shall be deemed upon enrollment in the Plan to have authorized the establishment of an account on his or her behalf at such institution. Shares purchased by a participant under the Plan shall be held in the account in the participant's name, or if the participant so indicates in the enrollment form, in the participant's name together with the name of one or more other persons, in joint tenancy with right of survivorship, in spousal community property, or in certain forms of trusts approved by the Administrator.

15. COSTS

The Company shall pay all costs and expenses incurred in administering the Plan excepting stamp duties or transfer taxes applicable to participation in the Plan, which it may charge to the participant's account. The Company shall pay

brokerage fees for the purchase of shares by a participant, but brokerage fees for the resale of shares by a participant shall be borne by the participant.

16. REPORTS

The Company shall provide or cause to be provided to each participant a report of his or her contributions and the shares purchased by the participant on each Purchase Date.

17. EQUAL RIGHTS AND PRIVILEGES

All eligible employees shall have equal rights and privileges with respect to the Plan so that the Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code and the Treasury Regulations thereunder. Any provision of the Plan which is inconsistent with Section 423 of the Code shall without further act or amendment by the Company or the Board be reformed to comply with the requirements of Section 423 of the Code. This Section 17 shall take precedence over all other provisions in the Plan.

18. APPLICABLE LAW

The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of California.

19. NO RIGHT OF EMPLOYMENT

Neither the grant nor the exercise of any right to purchase shares under this Plan nor anything in this Plan shall impose upon the Company or any subsidiary any obligation to employ or continue to employ any participant. The right of the Company and any subsidiary to terminate any employee shall not be diminished or affected because any right to purchase shares has been granted to such employee.

20. REQUIREMENTS OF LAW

(a) The Company shall not be required to sell, issue or deliver any shares of Common Stock under this Plan if such sale, issuance or delivery might constitute a violation by the Company or the participant of any provision of law. Unless a registration statement under the Securities Act of 1933 (the "Act") is in effect with respect to the shares of Common Stock proposed to be

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delivered under the Plan, the Company shall not be required to issue such shares if, in the opinion of the Company or its counsel, such issuance would violate the Act. Regardless of whether such shares of Common Stock have been registered under the Act or registered or qualified under the securities laws of any state, the Company may impose restrictions upon the hypothecation or further sale or transfer of such shares (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company or its counsel,

such restrictions are necessary or desirable to achieve compliance with the provisions of the Act, the securities laws of any state, or any other law, including the Internal Revenue Code. As a condition precedent to the issuance of any shares of Common Stock under the plan, the Company may require evidence satisfactory to it or its counsel to the effect that the purchase of such shares is acquiring the shares for investment and not with a view to their distribution. Any determination by the Company or its counsel in connection with any of the foregoing shall be final and binding on all parties.

(b) If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing shares of Common Stock issued under the plan is no longer required or desirable in order to comply with applicable securities or other laws, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing a like number of shares lacking such legend.

(c) The Company may, but shall not be obligated to, register or qualify any securities covered by the Plan. The Company shall not be obligated to take any other affirmative action in order to cause the grant or exercise of any right or the issuance, sale, or delivery of shares pursuant to the exercise of any right to comply with any law.

21. CORPORATE TRANSACTIONS

New option rights may be substituted for the option rights under the Plan, or the Company's outstanding obligations under the Plan may be assumed, by an employer corporation other than the Company, or by a parent or subsidiary corporation of such employer corporation, in connection with any merger, consolidation, acquisition, separation, reorganization or liquidation, or like occurrence in which the Company is involved.

22. MODIFICATION, TERM, AND TERMINATION

The Board may amend, alter, or terminate the Plan or any option at any time. No amendment shall be effective unless within 12 months after it is adopted by the Board it is approved by the holders of a majority of the voting power of the Company's outstanding shares, if such amendment would:

(i) increase the number of shares reserved for purchase under the Plan;

(ii) materially increase the benefits to participants; or

(iii) modify the requirements for participation.

In the event the Plan is terminated, the Board may elect to terminate all outstanding options immediately or upon completion of the purchase of shares on the next Purchase Date,

or may elect to permit options to expire in accordance with their terms (and participation to continue through such expiration dates). If the options are terminated prior to expiration, all funds contributed to the Plan that have not been used to purchase shares shall be returned to the participants as soon as administratively feasible.

23. BOARD AND STOCKHOLDER APPROVAL

This Plan was approved by the Board of Directors on March 20, 1990. This Plan shall be subject to and conditioned upon approval of the Plan by the affirmative vote of the holders of a majority of the outstanding shares of Common stock of the Company within 12 months of the date the Plan is approved by the Board. No right to purchase shares may be exercised in whole or in part unless and until such stockholder approval is obtained.

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Plan approved by the stockholders on May 30, 1990.
Plan amended by the Board of Directors on June 14, 1995.

/X/ PLEASE MARK YOUR CHOICES LIKE THIS

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Common	Preferred

THE BOARD RECOMMENDS A VOTE "FOR" THE FOLLOWING PROPOSALS.

		FOR ALL	WITHHOLD FOR ALL
Proposal 1.	To elect as directors Robert G. Faris, I. Craig Henderson, L. Scott Minick, Richard C.E. Morgan and E. Donnall Thomas.	/ /	/ /

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name on the line provided below:

		FOR	AGAINST	ABSTAIN
Proposal 2.	To approve the proposed Certificate of Amendment of the Company's Certificate of Incorporation	/ /	/ /	/ /
Proposal 3.	To approve the proposed amendments to the 1987 Company's Employee Stock Option Plan.	/ /	/ /	/ /
Proposal 4.	To approve the proposed amendment to the Company's 1987 Consultant Stock Option Plan.	/ /	/ /	/ /
Proposal 5.	To approve the proposed amendment to the Company's 1990 Director Stock Oprion Plan.	/ /	/ /	/ /
Proposal 6.	To approve the proposed amendment to the Company's Employee Stock Purchase Plan.	/ /	/ /	/ /

Signature(s) --- Date, ---------- 1995

Please date and sign exactly as name(s) appear(s) hereon. If shares are held jointly, each holder should sign. Please give full title and capacity in which signing if not signing as an individual.

PROXY
SEQUIS PHARMACEUTICALS, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoint(s) ROBERT G. FARIS AND SALLY A. DAVENPORT, or either one of them, each with full power of substitution, as the lawful attorneys and proxies of the undersigned to vote as designated below, and in their discretion, upon such other business as may properly be presented to the meeting, all of the shares of SEQUIS PHARMACEUTICALS, INC. (the "Company") which the undersigned shall be entitled to vote at the Annual

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Meeting of Stockholders to be held on September 12, 1995 at the offices of the Company at 960 Hamilton Court, Menlo Park, California, and at any adjournments or postponements thereof.

This proxy, when properly executed, will be voted in the manner directed by the undersigned stockholder. WHEN NO CHOICE IS INDICATED, THIS PROXY WILL BE VOTED FOR THE NOMINEES AND THE PROPOSALS LISTED ON THE REVERSE. This proxy may be revoked at any time prior to the time it is voted by any means described in the accompanying Proxy Statement.

PLEASE COMPLETE, DATE AND SIGN THIS PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

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