FORM 8-K

Current report filing

Filing Date: **2004-12-23** | Period of Report: **2004-12-21**
SEC Accession No. 0001193125-04-219314

FILER

CELL THERAPEUTICS INC

CIK:**891293**| IRS No.: **911533912** | State of Incorp.:**WA** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-12465** | Film No.: **041224905**
SIC: **2834** Pharmaceutical preparations

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: (Date of earliest event reported): December 21, 2004

CELL THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Washington	**001-12465**	**91-1533912**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

501 Elliott Avenue West, Suite 400
Seattle, Washington 98119
(Address of principal executive offices)

Registrant' s telephone number, including area code: (206) 282-7100

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry Into a Material Definitive Agreement.

On December 21, 2004, Cell Therapeutics, Inc. (the "Corporation") and PolaRx Biopharmaceuticals, Inc., a wholly-owned subsidiary of the Corporation ("PolaRx"), entered into a Financing Agreement with PharmaBio Development, Inc., a wholly-owned subsidiary of Quintiles Transnational Corp. ("PharmaBio") (the "Agreement"), pursuant to which PharmaBio will provide $25,000,000 in cash to the Corporation and will make available an additional $5,000,000 in preclinical and clinical services, in exchange for which the Corporation agreed to pay royalties based on a percentage of net sales of TRISENOX in the United States and certain European countries (the "Territory") to PharmaBio. The minimum payment obligation under the Agreement, subject to increase under certain circumstances, is $53 million. The Agreement provides for various covenants of the Corporation related to the development and marketing of TRISENOX. The Agreement also provides for accelerated payment or early termination (i) by the Corporation' s payment of a termination payment upon (a) a Change of Control (as defined in the Agreement) (if the Agreement is not assumed in such Change of Control or the acquiring/successor entity and PharmaBio do not agree to a continuation of such relationship upon different terms), or (b) a divestiture by the Corporation of TRISENOX, which termination payment may, if effected in 2005, at the Corporation' s election, include cash plus the issuance of shares of the Corporation' s common stock, or (ii) by PharmaBio upon an Event of Default (as defined in the Agreement). Any payment to PharmaBio through issuance of the Corporation' s common stock will be effected pursuant to an exemption under Section 4(2) of the Securities Act of 1933, as amended. The parties entered into a Registration Rights Agreement which governs any such issuance of common stock of the Corporation. The Corporation' s payment obligations under the Agreement are (a) secured by substantially all of the assets of the Corporation and PolaRx directly related to TRISENOX in the Territory and a pledge of the stock of PolaRx, and (b) guaranteed by PolaRx.

The Financing Agreement, Guaranty Agreement, Security Agreement, Registration Rights Agreement and press release related to the Agreement are attached as Exhibits 10.1, 10.2, 10.3, 10.4 and 99.1 to this Current Report on Form 8-K and the information set forth therein is incorporated by reference into this Current Report.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

See above.

Item 8.01. Other Events.

On December 22, 2004, the Corporation issued a press release announcing that it closed its previously disclosed registered direct offering. The Corporation sold an aggregate of 2,585,915 shares of its common stock at a purchase price of $7.10 per share, for aggregate gross proceeds of approximately $18.4 million.

A copy of the Corporation' s press release is attached hereto as Exhibit 99.2 and is incorporated herein by reference. The form of Securities Purchase Agreement that the Corporation entered into with each investor is attached as Exhibit 99.3 to this Current Report on Form 8-K.

Item 9.01. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits:

10.1† Financing Agreement dated December 21, 2004 among Cell Therapeutics, Inc., PolaRx Biopharmaceuticals, Inc. and PharmaBio Development, Inc.

10.2 Guaranty Agreement dated December 21, 2004 between PolaRx Biopharmaceuticals, Inc. and PharmaBio Development, Inc.

10.3 Security Agreement dated December 21, 2004 among Cell Therapeutics, Inc., PolaRx Biopharmaceuticals, Inc. and PharmaBio Development, Inc.

10.4 Registration Rights Agreement dated December 21, 2004 among Cell Therapeutics, Inc., PolaRx Biopharmaceuticals, Inc. and PharmaBio Development, Inc.

99.1 Press release of the Corporation dated December 21, 2004

99.2 Press release of the Corporation dated December 22, 2004

99.3 Form of Securities Purchase Agreement between the Corporation and each investor

† Portions of this exhibit have been redacted and filed separately with the Commission along with a confidential treatment request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CELL THERAPEUTICS, INC.

Date: December 23, 2004

By: /s/ Louis A. Bianco

Louis A. Bianco
Executive Vice President, Finance and Administration
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	
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† Portions of this exhibit have been redacted and filed separately with the Commission along with a confidential treatment request.

Exhibit 10.1

[CONFIDENTIAL TREATMENT REQUESTED]

FINANCING AGREEMENT

This Financing Agreement (this "Agreement"), is entered into as of December 21, 2004 (the "Effective Date"), between, on the one hand, Cell Therapeutics, Inc., a Washington corporation, with a principal place of business at 501 Elliott Avenue West, Suite 400, Seattle, WA 98119 ("CTI"), and PolaRx Biopharmaceuticals, Inc., a Delaware corporation and a wholly-owned subsidiary of CTI ("PolaRx") (together CTI and PolaRx are referred to as the "CTI Parties" and individually as a "CTI Party"); and, on the other hand, PharmaBio Development, Inc., a North Carolina corporation, with a principal place of business at 4709 Creekstone Drive, Suite 200, Durham, NC, 27703 ("PharmaBio"). The CTI Parties and PharmaBio are each referred to herein by name or, individually, as a "Party" or, collectively, as "Parties."

BACKGROUND

A. CTI is in the business of developing, acquiring and commercializing products for, among other things, the treatment of cancer and other indications in humans; and

B. PharmaBio is a wholly-owned subsidiary of Quintiles Transnational Corp., a North Carolina corporation, with a principal place of business at 4709 Creekstone Drive, Suite 200, Durham, NC, 27703 ("Quintiles") and is in the business of providing financing and, through its Affiliates, clinical and commercialization services that assist pharmaceutical and biotech companies more rapidly develop and commercialize their pharmaceutical products; and

C. PharmaBio wishes to provide to CTI and CTI wishes to receive financing and payment of certain invoices in exchange for payment by CTI to PharmaBio of certain royalty payments, all on the terms set forth below; and

D. On the Effective Date, the Parties are entering into a Security Agreement, Guaranty, and Registration Rights Agreement, in each case as set forth therein.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

ARTICLE I
DEFINITIONS

The following terms used herein, including in the preamble, recitals, exhibits and schedules hereto, shall have the following meanings:

1.1 "Account" shall have the meaning assigned to such term in Article 9 of the UCC.

1.2 "Accounts Receivable" shall mean all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guaranties with respect thereto,

including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

1.3 "Affiliate" means, with respect to an entity, any business entity controlling, controlled by, or under common control with such entity, but only so long as such control exists. For the purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct the management or policies of an entity, including, but not limited to, through ownership of fifty percent (50%) or more of the voting securities of such entity (or, in the case of an entity that is not a corporation, ownership of fifty percent (50%) or more of the corresponding interest for the election of the entity' s managing authority).

1.4 "Annual Minimum True-Up Payment" has the meaning ascribed to it in Section 5.7.

1.5 "Calendar Quarter" means each of the following three (3) month periods during each Calendar Year during the Royalty Term: January 1 through March 31 (the "First Calendar Quarter"); April 1 through June 30 (the "Second Calendar Quarter"); July 1 through September 30 (the "Third Calendar Quarter"); and October 1 through December 31 (the "Fourth Calendar Quarter").

1.6 "Calendar Year" means the twelve (12) month period from January 1 through December 31.

1.7 "Change of Control" means the occurrence of any of the following (a) any "person" or "group" (as such terms are defined in Section 13(d) and Section 14(d) of the Securities Exchange Act of 1934, as amended, or any successor provisions (the "Exchange Act")) that is or becomes the "beneficial owner" (as determined in accordance with Rule 13d-3 under the Exchange Act), directly or indirectly, of shares of voting stock of CTI representing fifty percent (50%) or more of the total voting power of all outstanding classes of voting stock of CTI; (b) the sale or transfer of all or substantially all of the assets of CTI and its subsidiaries, taken as a whole; or (c) any merger, consolidation, share exchange, business combination or similar transaction in which CTI is not the surviving entity or in which the holders of the outstanding shares of stock of CTI immediately prior to such transaction hold, immediately after such transaction, less than fifty percent (50%) of the total voting power of the outstanding securities entitled to vote generally in the election of directors of the surviving or resulting entity in such transaction.

1.8 "Collateral" means each of the following, whether now existing or owned or hereafter arising or acquired:

A. with respect to each of CTI or PolaRx, all of its rights in and to all assets and properties directly relating to the Product in the Territory, including, without limitation:

(1) any and all Intellectual Property directly relating to or which is embodied, used or included in, or which otherwise comprises or constitutes, the Product in the Territory or, in the case of Trademarks and Copyrights, is used by the CTI Parties in the marketing or other promotion of the Product in the Territory;

(2) any and all Product Registrations directly relating to or arising out of or in connection with the Product for the Territory;

(3) any and all Data directly relating to or arising out of or in connection with the development, manufacture, use, sale or marketing of the Product for the Territory;

(4) any and all Records directly relating to or arising out of or in connection with the Product in the Territory;

(5) any and all Accounts Receivable directly relating to or arising out of or in connection with the sale of the Product in the Territory;

(6) any and all Inventory, including, without limitation, finished and unfinished or work-in-process commercial and sample goods and packaging, directly relating to or arising out of or in connection with the Product for the Territory;

(7) any and all Marketing Materials directly relating to or arising out of or in connection with the marketing or other promotion of the Product in the Territory;

(8) to the extent not covered by clauses (1) through (7) of this definition, all other General Intangibles directly relating to or arising out of or in connection with the Product in the Territory; and

(9) Proceeds of any and all of the foregoing;

B. with respect to CTI, the Pledged Securities.

Notwithstanding the foregoing, in no event shall the Collateral include (a) any equipment or any additions, parts, replacements, fixtures, improvements and attachments thereto, and the proceeds thereof if and for so long as the grant of a security interest therein shall constitute or result in (i) the abandonment, invalidation or unenforceability of any right, title or interest of a CTI Party therein or (ii) in a breach or termination pursuant to the terms of, or a default under, the agreement pursuant to which such equipment was acquired, leased or financed, or (b) any of the outstanding stock of a controlled foreign corporation (as defined in the Internal Revenue Code of 1986, as amended) in excess of sixty-five percent (65%) of the voting power of all classes of capital stock of such controlled foreign corporation entitled to vote.

1.9 "Closing Date" means the date CTI receives the Financing from PharmaBio.

1.10 "Confidential Information" has the meaning ascribed to it in Section 6.1.

1.11 "Copyrights" shall mean, collectively, all copyrights (whether such copyrights are statutory or common law, whether established or registered in the United States or any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished) and all copyright registrations and applications, and in each case, whether now owned or hereafter created or acquired, together with any and all (i) rights and privileges arising under applicable law with respect to the use of such copyrights, (ii) reissues, renewals, continuations and

extensions thereof, (iii) income, fees, royalties, damages, claims and payments now or hereafter due or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

1.12 "Data" shall mean any and all preclinical, clinical and manufacturing data or results and other similar data; provided, however, that, solely to the extent applicable law requires, Data shall exclude any patient identifiable or other similar information the transfer and/or use of which is prohibited by the privacy regulations promulgated by U.S. Department of Health and Human Services pursuant to the Health Insurance Portability and Accountability Act of 1996, as amended, which is set forth at 45 Code of Federal Regulations Parts 160 and 164 (or any similar regulations outside of the United States of America).

1.13 "Divestiture Event" has the meaning ascribed to it in Section 8.6A.

1.14 "Event of Default" has the meaning ascribed to it in Section 8.4.

1.15 "Expiration Date" means the date that is the earlier to occur of (i) the expiration of the Royalty Term (and payment by CTI of all outstanding amounts owed to PharmaBio pursuant to Article V), (ii) the payment by CTI of aggregate amounts under Article V equal to the Maximum Royalty Amount or (iii) the payment by CTI, as authorized in this Agreement, of the Termination Payment.

1.16 "FDA" means the United States Food and Drug Administration or any successor agency thereto.

1.17 "FFDCA" shall mean the United States Federal Food, Drug and Cosmetic Act, as amended from time to time, including all regulations promulgated thereunder.

1.18 "Financing" has the meaning ascribed to it in Section 2.1.

1.19 "GAAP" means generally accepted accounting principles in the United States, consistently applied.

1.20 "General Intangibles" shall mean, collectively, all "general intangibles," as such term is defined in the UCC, and in any event shall include, without limitation, all choses in action and causes of action and all other intangible personal property of every kind and nature now existing or owned or hereafter arising or acquired, including all rights and interests in indemnification claims, contracts and contract rights (including rights under licenses, sublicenses or leases, whether entered into as licensor or licensee, sublicensor or sublicensee, or lessor or lessee, distribution agreements, supply agreements and other agreements, including, without limitation, those agreements set forth on Schedule I of the Security Agreement), Intellectual Property, goodwill, registrations, and franchises.

1.21 "Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body, including any central bank.

1.22 "Guaranty" has the meaning ascribed to it in Section 3.1D.

1.23 "IND" shall mean an "investigational new drug application," as such term is defined under the FFDCA.

1.24 "Intellectual Property" shall mean all intellectual property, proprietary rights and similar property or rights of every kind and nature now owned or hereafter acquired, including, without limitation, Patents, Trademarks, Copyrights, domain names, trade secrets and trade secret rights, inventions, designs, confidential or proprietary technical and business information, Know-How, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

1.25 "Inventory" shall have the meaning assigned to such term in Article 9 of the UCC.

1.26 "Joint Oversight Committee" or "JOC" has the meaning ascribed to it in Section 4.1.

1.27 "Know-How" shall mean all know-how and other information, including, without limitation, ideas, discoveries, inventions, data, techniques, specifications, processes, procedures, manufacturing and technical information, results from experiments and tests, instructions, methods, formulae, designs, plans, sketches, records, confidential analyses, interpretations of information, and trade secrets, or any similar items, in any media form, whether or not tangible, including, without limitation, any paper or electronic form.

1.28 "Lien" means, with respect to any asset, (a) any mortgage, deed of trust, deed to secure debt, lien, pledge, encumbrance, charge, assignment for security, hypothecation or security interest in or on such asset or any filing of any financing statement under the UCC or any other similar notice or lien under any similar notice or recording statute of any Governmental Authority (including, without limitation, the United States Patent and Trademark Office), in each of the foregoing cases whether voluntary or imposed by law, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset, (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities, and (d) any other agreement intended to create any of the foregoing.

1.29 "Marketing Materials" shall mean marketing materials, advertising materials, training materials, product data, price lists, mailing lists, sales materials, market information (e.g., customer, sales and competitor data), promotional materials, artwork for the production of packaging components, and other materials, and in each case whether now existing or owned or hereafter arising or acquired.

1.30 "Material Adverse Effect" means, with respect to any Person, a material adverse effect on (i) the business, operations, properties, assets, or condition (financial or otherwise) of such Person and its subsidiaries taken as a whole or (ii) the Product in the Territory.

1.31 "Maximum Royalty Amount" has the meaning ascribed to it in Section 5.5.

1.32 "Minimum Payment Amount" means Fifty-Three Million Dollars (US $53,000,000), unless, pursuant to the provisions of Section 3.4E, such amount is increased to [*].

1.33 "Minimum Payment Obligation" has the meaning ascribed to it in Section 5.6.

1.34 "NDA" shall mean a "new drug application," as such term is used under the FFDCA.

1.35 "Net Sales" means the gross amount invoiced or billed by CTI, its Affiliates and their licensees and sublicensees, if any (each, a "Selling Party") to Third Parties for sales or other dispositions of Product in the Territory, less the following items without duplication: (i) discounts (including cash and quantity discounts) for the Product allowed and actually taken or accrued; (ii) refunds, rebates, charge-back payments, and retroactive price adjustments for the Product actually taken or accrued, including distributor fees (e.g., the IDIS distributor fee with respect to Product sold in those European Union countries included in the Territory); (iii) credits or allowances actually issued or accrued for Product returns, recalls or the like; and (iv) to the extent such items are included in such gross amount (A) taxes or duties imposed on the production, sale, or delivery of the Product, including sales, excise, or value added taxes, but not income taxes and (B) all package, handling, and pre-paid freight charges. All amounts hereunder will be determined from the books and records of the applicable Selling Party, which books and records shall be calculated and maintained in accordance with GAAP.

1.36 "Outsourced Service Opportunity" means any pre-clinical or clinical development project with an aggregate value of greater than [*] that CTI or an Affiliate intends to have another Person perform on its behalf.

1.37 "Patents" shall mean all of the following whether now owned or hereafter acquired: (a) all patents of the United States or any other country, all registrations and recordings thereof, and all applications for patents of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any other country, including, without limitation, those listed on Schedule II of the Security Agreement, (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use or sell the inventions disclosed or claimed therein and (c) all income, fees, royalties, damages, claims and payments now or hereafter due or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof.

1.38 "Permitted Liens" means (a) licenses and sublicenses existing on the Effective Date, (b) Liens for any Taxes not yet due and payable, or if obligations with respect to such Taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, (c) statutory, common law or contractual Liens of depository institutions and institutions holding securities accounts, (d) Liens in favor of PharmaBio, (e) purported Liens evidenced by the filing of precautionary UCC financing statements relating to operating leases, (f) Liens securing capital leases and purchase money financing of equipment so long as such Lien encumbers only the assets acquired pursuant to such lease or financing and any additions, parts, replacements, fixtures, improvements and attachments thereto, and the proceeds thereof, and (g) statutory, common law or

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contractual liens of landlords, carriers, warehousemen, mechanics, repairmen, workmen and materialmen and other Liens imposed by law, and other similar Liens arising in the ordinary course of business, and (h) any interest or title of a lessor or sublessor under any lease of real estate.

1.39 "Person" means any natural person, corporation, trust, joint venture, association, company, partnership, limited liability company or government, or any agency or political subdivision thereof.

1.40 "Pledged Securities" shall mean (i) all of the capital stock of PolaRx and (ii) sixty-five percent (65%) of the capital stock of Cell Therapeutics (UK) Limited, including, without limitation, the stock set forth on Schedule III to the Security Agreement.

1.41 "Proceeds" shall mean, collectively, all "proceeds," as such term is defined in the UCC, and in any event shall include, without limitation, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, and shall include (a) any claim against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned, (iii) past, present or future infringement of any Copyright now or hereafter owned and (b) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

1.42 "Product" means Trisenox® (arsenic trioxide) in any and all dosage forms or formulations.

1.43 "Product Registration" means with respect to any country, the registrations, permits, licenses, consents, authorizations and other approvals and pending applications and requests therefor, required by applicable Governmental Authorities relating to the marketing, sale, distribution, pricing and reimbursement of the Product in such country, including, without limitation, INDs and NDAs, marketing authorizations, and any supplements or amendments to any of the foregoing, and any other equivalent of the foregoing, in each case whether now existing or owned or hereafter arising or acquired for the Product, including, without limitation, those listed on Schedule IV of the Security Agreement, and including all filings and files with respect thereto, including, without limitation, all documents referred to in the complete regulatory chronology for each Product registration.

1.44 "Records" shall mean records, documents and files, including files pertaining to the Product Registrations, Intellectual Property, drug master files, correspondence with the FDA and other Governmental Authorities, validation documents and data, market studies, sales histories and quality control histories, accounting records, sales records, suppliers lists, price lists, forecasts, market studies, customer service and inquiry or complaint records, laboratory notebooks, quality assurance/control procedures and records, product and raw material specifications, regulatory

compliance filings and other regulatory records, product operation manuals and instructions, standard operating procedures and written medical records, and in each case whether now existing or owned or hereafter arising or acquired, in any media form, whether or not tangible, including, without limitation, any paper or electronic form.

1.45 "Royalty" has the meaning ascribed to it in Section 5.1.

1.46 "Royalty Obligation" has the meaning ascribed to it in Section 5.1.

1.47 "Royalty Term" means the period of time from January 1, 2006 until December 31, 2010.

1.48 "SEC" means the United States Securities and Exchange Commission or any successor agency thereto.

1.49 "Securities Act" has the meaning ascribed to it in Section 7.2A.

1.50 "Security Agreement" has the meaning ascribed to it in Section 3.1C.

1.51 "Service Payments Obligation" has the meaning ascribed to it in Section 2.2.

1.52 "Shares" has the meaning ascribed to it in Section 8.5B(1).

1.53 "SKI Agreement" means that certain Exclusive License Agreement between Sloan-Kettering Institute for Cancer Research and PolaRx last dated February 16, 1998.

1.54 "Sublicense" has the meaning ascribed to it in Section 8.5A.

1.55 "Tax" means any present or future tax, levy, impost, duty, assessment, charge, fee, deduction or withholding of any nature and whatever called (including interest and penalties thereon) by any Governmental Authority, on whomsoever and wherever imposed, levied, collected, withheld or assessed.

1.56 "Term" means the period beginning on the Closing Date and expiring upon the Expiration Date.

1.57 "Termination Payment" has the meaning ascribed to it in Section 8.6B.

1.58 "Territory" means the United States of America, Germany, France, Italy, Spain, the United Kingdom, Greece, Austria, Denmark, Sweden, Finland, Luxembourg, Ireland, Portugal, The Netherlands, Belgium and any other country in the European Union where, after the Effective Date, CTI or its Affiliate directly markets and sells the Product.

1.59 "Third Party" shall mean any Person, including a governmental entity, other than the CTI Parties or PharmaBio, or their respective Affiliates.

1.60 "Trademarks" shall mean all of the following whether now owned or hereafter acquired: (a) all trademarks, service marks, trade names, corporate names, company names,

business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, in each case excluding the names Cell Therapeutics, Inc. and PolaRx Biopharmaceuticals, Inc., all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including, without limitation, those listed on Schedule V of the Security Agreement, (b) all income, fees, royalties, damages, claims and payments now or hereafter due or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (c) all goodwill associated therewith or symbolized thereby, and (d) all other assets, rights and interests that uniquely reflect or embody such goodwill.

1.61 "Transaction Document(s)" means, collectively and individually, this Agreement, the Registration Rights Agreement, the Guaranty, and the Security Agreement, each as amended, restated, modified or otherwise supplemented from time to time.

1.62 "UCC" shall mean the Uniform Commercial Code as in effect on the Effective Date in the applicable jurisdiction.

1.63 "Unfavorable Marketing Event" means a continued failure of CTI to supply at least [*] of firm purchase orders received for Product in the Territory for a period of [*] or more consecutive days.

ARTICLE II
FINANCING

2.1 Financing. On the terms and subject to the conditions of the Transaction Documents and relying upon the representations and warranties therein set forth as and when made or deemed to be made, upon the Closing Date, PharmaBio shall make an advance (the "Financing") to CTI in the aggregate principal amount of Twenty-Five Million Dollars ($25,000,000.00). PharmaBio shall disburse the proceeds of the Financing by wire transfer in immediately available funds to an account designated by CTI.

2.2 PharmaBio Service Payments Obligation. In addition to the Financing, PharmaBio shall pay for up to Five Million Dollars ($5,000,000) in cumulative PharmaBio Service Invoices (the "Service Payments Obligation") approved by CTI or its Affiliates during the Term. For those PharmaBio Service Invoices for which it is responsible under its Service Payments Obligation, PharmaBio shall make such payment directly to its applicable Affiliate(s). If PharmaBio fails to pay an applicable invoice within the later of (i) five (5) business days of receipt thereof from CTI or its Affiliate or (ii) on or before the due date of such invoice, in each case in accordance with the written instructions provided by CTI or its Affiliate, then any and all late payment charges resulting from such failure shall be the responsibility of PharmaBio and payment of such late charges shall not reduce PharmaBio' s Service Payments Obligation pursuant to this Section 2.2. The Parties will work together and with the applicable PharmaBio Affiliates performing services for CTI or its Affiliates to establish a process by which CTI or its Affiliates approve the PharmaBio Service Invoices to be paid hereunder. Finally, in addition to other current or future projects, the Parties

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agree to use PharmaBio' s Service Payments Obligation for PharmaBio Service Invoices arising pursuant to that General Services Agreement effective April 22, 2004 (as amended), and that General Services Agreement effective February 14, 2004 (as amended), each between CTI and Quintiles for development activities related to Pixantrone (collectively, the "Existing Pixantrone Service Agreements") As part of the governance process, the JOC and the Parties' Alliance Managers shall regularly track the use and exhaustion of the Service Payments Obligation.

A. PharmaBio Service Invoices. For purposes of this Section 2.2, "PharmaBio Service Invoice" means any invoice submitted to CTI or its Affiliates by PharmaBio, Quintiles or their Affiliates for any services provided by or on behalf of PharmaBio, Quintiles or their Affiliates ("PharmaBio Services") for or on behalf of CTI or its Affiliates, including any and all associated professional fees. For clarity, services provided by a Third Party on behalf of PharmaBio, Quintiles or their Affiliates shall be eligible for payment under this Section 2.2 except for Third Party pass-through costs incurred by PharmaBio, Quintiles or their Affiliates in providing PharmaBio Services.

B. PharmaBio Services Agreements, Pricing, and Payment Terms. The PharmaBio Services, for which PharmaBio shall pay under its Service Payments Obligation, shall be ordered, priced, and provided pursuant to the terms and conditions of applicable services agreements entered into, or that may be entered into, between PharmaBio, Quintiles or their Affiliates and CTI and its Affiliates, including the Existing Pixantrone Service Agreements. Except with regard to payment of the Service Payments Obligation, nothing in the Transaction Documents shall amend or change any such services agreements and any such services agreement shall otherwise be independent hereof.

ARTICLE III
CTI OBLIGATIONS

3.1 General.

A. Repayment. In consideration for the Financing and the Service Payments Obligation, CTI shall pay to PharmaBio the Royalty Obligation pursuant to Article V.

B. Use of Proceeds. CTI shall use the proceeds of the Financing for general corporate and other purposes as it deems appropriate in its sole discretion.

C. Security Agreement. On the Effective Date, CTI and PolaRx shall deliver to PharmaBio an executed Security Agreement in the form attached hereto as Exhibit 3.1C (the "Security Agreement").

D. Guaranty. On the Effective Date, PolaRx shall deliver to PharmaBio an executed Guaranty in the form attached hereto as Exhibit 3.1D (the "Guaranty").

3.2 Outsourced Service Opportunities. During the Term, CTI shall use good faith efforts to notify PharmaBio of any Outsourced Service Opportunities (the "Service Notice"). If PharmaBio or its Affiliate timely notifies CTI of its interest in such Outsourced Service Opportunity in accordance with CTIs standard timing requirements of all companies for such services, then CTI shall make good faith efforts to include PharmaBio or its Affiliate, as applicable, (along with any

other Third Party, in CTI' s discretion) in CTI' s bidding process for such Outsourced Service Opportunity. Subject to the foregoing, CTI may enter into an arrangement with any Third Party without restriction for performance of the services described in the Service Notice.

3.3 Product Development Generally.

A. Authority. CTI has sole authority and responsibility for the Product including, but not limited to, regulatory compliance, intellectual property, manufacturing, marketing, clinical development, distribution, sales, and reimbursement with respect thereto.

B. Documentation. CTI shall use commercially reasonable efforts to keep PharmaBio informed of, and provide copies of material data and other primary documents regarding, all material Product developments, including, clinical trial results, FDA and other regulatory communications, intellectual property status, prescription and Net Sales data, and manufacturing and supply information. CTI shall create all development and commercialization plans and provide such documents to PharmaBio' s representatives on the JOC on a timely basis for review.

3.4 Minimum Commitments.

A. Additional Indications. CTI (itself or through its Affiliates or Third Parties) shall use best efforts to pursue expanded label claims for the Product in the Territory for first-line acute promyelocytic leukemia (APL) and refractory multiple myeloma (each, an "Additional Indication") in accordance with the registration trials plans, protocols, and timelines in CTI' s current development plan, a copy of which has been provided to PharmaBio. CTI shall not have failed to use best efforts as described in this Section 3.4A should it cease pursuing an Additional Indication because data from a clinical trial for such Additional Indication demonstrates that (i) continued pursuit of such Additional Indication is medically unsafe, or (ii) the Product is not efficacious for such Additional Indication, or (iii) the Additional Indication is not commercially viable because the Product is substantially less efficacious or less safe for such Additional Indication than its competitor.

B. Annual Minimum Non-Registration Development Spend. During each Calendar Year of the Term, CTI shall use commercially reasonable efforts to support the Product through non-registration trials (i.e., clinical trials not intended to support an application for marketing or expansion of label claims) and investigator sponsored trials in the Territory. CTI or its Affiliates shall incur at least [*] in costs on such non-registration and investigator sponsored trials for the Territory (the "Annual Minimum Non-Registration Development Spend") during each Calendar Year of the Term.

C. Annual Minimum Commercialization Spend. During each Calendar Year of the Term, CTI shall use commercially reasonable efforts to support Product marketing and sales efforts in the United States. CTI or its Affiliates shall incur at least [*] of costs directed toward marketing and promotion of the Product in the United States (the "Annual Minimum Marketing Spend") during each Calendar Year of the Term. For purposes of the foregoing, amounts incurred by CTI or its Affiliates with respect to any marketing or promotional activities shall be counted toward satisfying the Annual Minimum

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Marketing Spend, including: marketing and medical materials, sales promotion materials, market research, medical communication programs, public relations, patient advocacy programs, HCP advisory boards, conventions, scientific symposia, or KOL development activities. For purposes of calculating amounts incurred by CTI or its Affiliates pursuant to this Section 3.4C, CTI shall use its fully-burdened rates as calculated in accordance with GAAP; provided that no more than ten percent (10%) of the costs satisfying an Annual Minimum Marketing Spend may be applicable general and administrative charges (including occupancy charges) allocated thereto, and no amounts incurred with respect to internal headcount and benefits therefor shall be included in the Annual Minimum Marketing Spend.

D. Annual Minimum Promotion Headcount. CTI agrees to have (itself or through one or more Third Parties), during each Calendar Year in the Term an average of [*] full-time equivalents or more promoting the Product in the United States, and CTI shall use commercially reasonable efforts to allocate such minimum full-time equivalents in the following manner: [*] sales representatives, [*] sales managers, [*] medical science liaisons including [*] director, and [*] marketing professional.

E. Consequence. In the event that any of CTI' s requirements, commitments, or obligations set forth above in Sections 3.4A, B, C, or D are not met, then the sole consequence (and PharmaBio' s sole remedy) shall be that the Minimum Payment Amount used to calculate the Minimum Payment Obligation shall increase from Fifty-three Million Dollars (US$53,000,000) to [*] and, for purposes of the Annual Minimum True-Up Payment calculation in Section 5.7, such [*] increase shall increase only the minimum Cumulative Payment Amount in last year of the Royalty Term as described in the chart therein and shall not affect the other minimum Cumulative Payment Amounts in the chart. Should the consequence described in this Section 3.4E be triggered, the Parties will promptly memorialize such event in a document signed by the Parties.

F. Monitoring CTI' s Compliance with Its Obligations under Section 3.4. At each JOC quarterly meeting, the Parties will review CTI' s compliance with its obligations under this Section 3.4, and CTI will keep records demonstrating its compliance or non-compliance with such obligations and will provide or update, as appropriate, such records to PharmaBio prior to each JOC quarterly meeting.

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3.5 Additional Covenants and Agreements of CTI Parties.

A. Compliance with Law. CTI shall comply, and shall cause each of its subsidiaries to comply, with all applicable laws in respect of the conduct of its respective business, the ownership of its respective properties, and the Product, except (i) where compliance therewith is contested in good faith by appropriate proceedings or (ii) where non-compliance therewith does not have, or could not reasonably be expected, in the aggregate, to have, a Material Adverse Effect. CTI and its subsidiaries shall maintain in full force and effect all permits, licenses, consents and other governmental or regulatory authorizations and approvals necessary for the conduct of their respective business as now being conducted, except where such failure to maintain such permits, licenses, consents and other governmental or regulatory authorizations and approvals does not have, or could not reasonably be expected, in the aggregate, to have, a Material Adverse Effect.

B. Compliance with Certain Agreements. Each CTI Party shall observe and perform all the conditions and obligations to be observed and performed by it under each contract, license or other agreement relating to the Product, all in accordance with the terms and conditions thereof, including without limitation the SKI Agreement except (i) where the observance or performance therewith is contested in good faith by appropriate proceedings or (ii) where the failure to observe or perform does not have, or could not reasonably be expected, in the aggregate, to have, a Material Adverse Effect. CTI will provide written notice to PharmaBio within five (5) business days of any receipt by any CTI Party of any notice from any of the other parties to such contracts, licenses, or agreements proposing or threatening to terminate any such contract, license, or agreement.

C. Notice of Certain Events. Promptly, and in any event within five (5) business days after CTI obtains knowledge thereof, CTI will notify PharmaBio of (a) the occurrence of any Event of Default, (b) any litigation, proceeding or investigation or other event that does have or could reasonably be expected to have a Material Adverse Effect, (c) any Divestiture Event (including Change of Control) or (d) any Unfavorable Marketing Event.

D. Insurance. Each CTI Party shall maintain insurance of the types and in the amounts that such CTI Party in at least such amounts and against such risks as it has insured against as of the Closing Date.

E. Grant of Rights. During the Term, neither CTI nor PolaRx will grant any right to any Third Party which would conflict with the rights granted to PharmaBio hereunder or enter into any agreement which would impair its ability to perform its obligations under this Agreement.

F. SEC and Other Information. Upon written request, CTI will provide to PharmaBio, within five (5) business days of receipt of such written request, a copy of any publicly available forms, reports or other documents filed by CTI with the SEC if such documents are not available on the Internet free of charge. If for any reason at any time CTI is not required to file annual, quarterly and other periodic reports with the SEC pursuant to the terms of the Securities Exchange Act of 1934, then CTI shall make available at no charge to PharmaBio financial statements no later than the time they would be filed with the SEC if CTI was required to file such

annual, quarterly and other periodic reports. Any audited consolidated financial statements and unaudited interim financial statements prepared pursuant to the preceding sentence shall be prepared in accordance with GAAP applied on a consistent basis (except as may be indicated therein or in the notes thereto) during the periods involved, and shall fairly present in all material respects the financial position of CTI as of the dates thereof and the results of its operations for the periods then ended (subject, in the case of unaudited interim financial statements, to normal year-end audit adjustments).

3.6 Amend the UCC Filing regarding US Bank. CTI agrees to use commercially reasonable efforts to amend, as soon as possible, but no later than January 31, 2005, the UCC filing regarding U.S. Bank National Association to conform such filing to the more limited security interest granted by CTI to U.S. Bank National Association in the documents related to the irrevocable standby letter of credit between CTI and US Bank National Association.

ARTICLE IV
GOVERNANCE

4.1 Joint Oversight Committee. Within thirty (30) days of the Effective Date, the Parties shall form a governance committee (the "Joint Oversight Committee" or "JOC") in order to exchange information, review and discuss CTI' s plans regarding the Product in the Territory, discuss material Product developments (including, clinical trial results, FDA and other regulatory communications, intellectual property status, prescription and Net Sales data, and manufacturing and supply information), track use of the Service Payments Obligation, and monitor the activities and progress of CTI hereunder (including compliance with Section 3.4 obligations). Each of CTI and PharmaBio shall bear its own costs and expenses arising from its respective activities under this Article IV, including attendance and participation in meetings of the Joint Oversight Committee. The JOC shall have no decision making authority (including no authority to amend or contradict the Transaction Documents), but shall provide a regularly scheduled forum for the Parties to exchange and discuss information regarding the Product and their relationship.

4.2 Membership. The JOC shall include three (3) representatives (including its Primary Contact, as described in Section 4.4 below) appointed by CTI and three (3) representatives (including its Primary Contact) appointed by PharmaBio. CTI and PharmaBio may replace its respective JOC representatives at any time, with prior written notice to the other Party. Upon the reasonable request of a Party, other representatives of such Party may attend JOC meetings as observers, provided that with respect to PharmaBio if such representatives are not its employees, they shall be subject to approval of CTI and confidentiality obligations at least substantially equivalent to those set forth herein.

4.3 Meetings. The JOC shall meet at least once per Calendar Quarter. Such meetings shall, at PharmaBio' s option, be conducted either in person in Seattle or by phone or videoconference. In advance of each such meeting, CTI shall circulate to the JOC representatives the development and commercialization plan for the Product in the Territory or any updates thereto and an agenda of the JOC meeting and any background materials to be discussed.

4.4 Primary Contacts. Within thirty (30) days after the Effective Date, CTI and PharmaBio will each appoint, and notify the other of, a person who will serve as such Party' s main contact to, and for, the other Party with regard to day-to-day matters affecting the Parties' relationship under this Agreement (each a "Primary Contact"). The Primary Contacts (or their designees) will meet, by phone or in person, as often as they feel necessary to monitor and manage the day-to-day activities of this Agreement. A Party may change its Primary Contact at any time, but will give notice to the other Party of any such change as soon as practical.

ARTICLE V
CTI' S ROYALTY AND PAYMENT OBLIGATIONS

5.1 CTI' s Royalty Obligation to PharmaBio on Net Sales of the Product. In consideration for PharmaBio' s payments in Sections 2.1 and 2.2 (i.e., the Financing and the Service Payments Obligation), CTI shall pay to PharmaBio a royalty (the "Royalty") on Net Sales during the Royalty Term (the "Royalty Obligation"), on the terms set forth in this Article V.

5.2 Royalty Calculation. The Royalty shall be equal to the percentage(s) of Net Sales of the Product, with such percentage(s) being determined by the cumulative Net Sales range(s) achieved in a given Calendar Year, as provided in the tiered royalty table below. For Net Sales amounts in the cumulative range (for a given Calendar Year) set forth in the first column of the table below, the applicable Royalty percentage for Net Sales within such range is set forth in the corresponding row of the second column of the table below. For purposes of example only, if Net Sales in a Calendar Year were US$60,000,000, then the Royalty on the first US$40,000,000 of such Net Sales would be [*]% of such Net Sales and the Royalty on the remaining US$20,000,000 of such Net Sales would be [*]% of such Net Sales. An illustration of the calculation of the Royalty is set forth in Exhibit 5.2.

Ranges of Cumulative Net Sales Amounts in a Given Calendar Year	**Percentage of Net Sales in such Range due as the Royalty**
$0 - $40,000,000	[*]%
$40,000,001 - $80,000,000	[*]%
>$80,000,000	[*]%

5.3 Terms and Procedures of Royalty Reporting and Payment. The Royalty shall be calculated and payable by CTI on a Calendar Quarter basis, with the applicable Royalty amount paid to PharmaBio within [*] days after the end of such Calendar Quarter. Royalty payments shall be made in Dollars by wire transfer in immediately available funds to an account designated by PharmaBio. Within [*] days after the end of each Calendar Quarter, CTI shall also deliver to PharmaBio a report setting forth the Net Sales for such Calendar Quarter, the cumulative Net Sales for the Calendar Year as of the end such Calendar Quarter, a detailed description of the calculation of the Royalty owed in respect of Net Sales during such Calendar Quarter (indicating the applicable percentage(s) applied to the Net Sales in such Calendar Quarter), and a breakdown of Net Sales by United States and European Union.

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5.4 Record Keeping; Audit Rights. CTI and its Affiliates (and licensees and sublicensees of the Product in the Territory) shall, consistent with GAAP and their respective internal financial control and reporting practices and procedures, keep and maintain for a period of three (3) years from the end of the applicable Calendar Year (except as otherwise provided herein) accounts and records of all data reasonably required to verify CTI' s reports under Section 5.3 and for the verification and calculation of the amounts to be paid to PharmaBio under this Agreement. To the extent that CTI or its Affiliates does not have the right to grant PharmaBio the right to audit its licensees' and sublicensees' books and records hereunder, CTI or its Affiliates shall obtain for itself such right and, at the request of the PharmaBio, CTI or its Affiliates shall exercise such audit right with respect to licensee or sublicensee using an auditor reasonably designated by PharmaBio and provide the results of such audit for inspection by PharmaBio pursuant to this Section 5.4. Upon reasonable advance notice, such records shall be made available for inspection and audit at CTI or its Affiliate' s place of business, as applicable, during normal business hours by an independent auditor appointed by PharmaBio and reasonably acceptable to CTI or its Affiliate, as applicable. Such an audit may be conducted once per annum during the Term (and during the Calendar Year thereafter) and solely for the purpose of verifying the accuracy of the reports of CTI under Section 5.3 and payments made to PharmaBio under the Agreement. Such audits will be conducted under conditions which reasonably ensure the confidentiality of information provided to such independent auditor. Audits conducted under this Section 5.4 shall be at the expense of PharmaBio, unless such audit reveals an underpayment of more than seven and one-half percent (7.5%) for the period of the audit, in which case CTI shall reimburse PharmaBio, as described below, for the out-of-pocket costs of such audit, together with the amount of the underpayment plus interest as calculated in Section 5.10, all as described in this Section 5.4 below. All information learned from such audits and the reports provided pursuant to Section 5.4 shall be deemed Confidential Information of CTI.

If the independent auditor' s report shows any underpayment by CTI, CTI will remit to PharmaBio within forty-five (45) days after CTI' s receipt of such report:

(i) the amount of such underpayment to PharmaBio;

(ii) interest on such underpayment, which interest will be calculated pursuant to Section 5.10; and

(iii) if such underpayment exceeds seven and one-half percent (7.5%) of CTI' s total payment owed to PharmaBio for the Calendar Year then being reviewed, the out-of-pocket costs incurred by PharmaBio for the independent auditor' s services.

If the independent auditor' s report shows any overpayment by CTI, PharmaBio will remit to CTI within forty-five (45) days after PharmaBio' receipt of such report:

(i) the amount of such overpayment; and

(ii) interest on such overpayment, which interest will be calculated pursuant to Section 5.10.

The CTI Parties agree to include in any license or sublicense regarding the Product in the Territory a provision requiring the licensee and sublicensee to keep and maintain, in accordance with this Section, records of Net Sales and to grant access, in accordance with this Section, to such records to the independent certified public accountant selected by PharmaBio.

5.5 Maximum Royalty Obligation. Notwithstanding anything in this Agreement to the contrary, CTI shall have no obligation to pay, and PharmaBio shall not be entitled to receive from CTI, more than Sixty-nine Million Dollars (US$69,000,000) (the "Maximum Royalty Amount") hereunder from the sum of (a) Royalty payments, (b) Annual Minimum True-up Payments (described in Section 5.7 below) and (c) the Minimum Payment Obligation payment (described in Section 5.6 below).

5.6 Minimum Payment Obligation. PharmaBio shall be entitled to receive aggregate payments under this Article V of not less than the Minimum Payment Amount. If the sum of the aggregate Royalty payments received by PharmaBio pursuant to Section 5.2 in respect of Net Sales during the Royalty Term plus, if applicable, any Annual Minimum True-up Payments received by PharmaBio (see Section 5.7 below), is less than the Minimum Payment Amount, then CTI shall pay PharmaBio, no later than February 28, 2011, the difference between the Minimum Payment Amount and such sum (the "Minimum Payment Obligation"). The Minimum Payment Obligation shall be payable by CTI to PharmaBio independent, and regardless, of the actual Net Sales during the Royalty Term, other circumstances including any occurrence of any Unfavorable Marketing Event (as described in Section 8.3), or CTI' s financial or corporate status.

5.7 Annual Minimum True-up Payments. For the end of each Calendar Year set forth in the first column in the table below, the "Cumulative Payment Amount" shall be defined as the sum of (a) all Royalty payments received by PharmaBio under the Agreement prior to such date (or payable to PharmaBio for the Fourth Calendar Quarter of such Calendar Year) pursuant to Section 5.2 plus (b) any Annual Minimum True-Up Payments received by PharmaBio for a prior Calendar Year in the Royalty Term. If the Cumulative Payment Amount as of the end of each Calendar Year indicated in the table below is less than the minimum Cumulative Payment Amount set forth immediately to the right of such Calendar Year in the table below (such difference, the "Cumulative Payment Shortfall"), then CTI shall pay PharmaBio, no later than February 28th following the end of such Calendar Year, an amount equal to the Cumulative Payment Shortfall for such Calendar Year (an "Annual Minimum True-Up Payment"). As a result of the foregoing, PharmaBio shall receive no less than the Minimum Payment Amount by February 28, 2011. For purposes of clarification, the Parties do not intend for Sections 5.6 and 5.7, when read together, to imply that PharmaBio is or could be entitled to receive two Minimum Payment Amounts from CTI. To the extent there is a Cumulative Payment Shortfall in a Calendar Year during the Royalty Term, the Annual Minimum True-up Payment shall be payable by CTI to PharmaBio independent, and regardless, of the actual Net Sales during such year, other circumstances, or CTI' s financial or corporate status. An illustration of the calculation of the Royalty is set forth in Exhibit 5.7.

To avoid confusion, any Royalty due and payable to PharmaBio under Section 5.2 for the Fourth Calendar Quarter of the applicable Calendar Year remains unaffected by this Section 5.7 and is due and payable in accordance with the terms and conditions described earlier. However, for purposes of the Parties' calculation under this Section 5.7 only, such amount shall be considered received as of the applicable December 31 of such Calendar Year.

Calendar Year Ended	Minimum Cumulative Payment Amount
December 31, 2006	$10,600,000
December 31, 2007	$23,000,000
December 31, 2008	$34,500,000
December 31, 2009	$43,500,000
December 31, 2010	The Minimum Payment Amount

5.8 Currency Conversion. If any currency conversion shall be required in connection with calculating Net Sales, such conversion shall be made by using the exchange rates used by the CTI Parties in calculating their own revenues for financial reporting purposes.

5.9 Taxes. Any withholding or other tax that is required by law to be withheld on behalf of PharmaBio with respect to payments owed by CTI pursuant to this Agreement shall be deducted by CTI from such payment prior to remittance. CTI shall promptly furnish PharmaBio evidence of any such taxes withheld.

5.10 Interest. In the event a payment under this Agreement is not made when due, such outstanding payment will accrue interest (from the date such payment is due through and including the date upon which full payment is made) at the annual rate equal to two percent (2%) plus the Prime Rate on the date when the payment was due or the date the payment is made, whichever is greater, and calculated daily on the basis of a 360-day year. Payment of accrued interest will accompany payment of the outstanding payment. "Prime Rate" means the prime rate as reported in The Wall Street Journal, Eastern U.S. Edition, on the date such payment is due.

ARTICLE VI
CONFIDENTIAL INFORMATION

6.1 Confidential Information. Except as expressly provided herein, each Party agrees that, for the Term and for seven (7) years thereafter, it will not publish or otherwise disclose, and shall not use for any purpose except to fulfill its rights and satisfy its obligations under the Transaction Documents, any information furnished to it by or on behalf of the other Party or its Affiliates pursuant to the Transaction Documents or that certain Confidential Disclosure Agreement between CTI and PharmaBio dated September 1, 2004, as amended (the "Confidentiality Agreement"), which information (i) is of the nature that is typically known to be of a confidential nature or (ii) if disclosed in tangible form is marked "Confidential" or with other similar designation to indicate its confidential or proprietary nature or if disclosed orally is indicated orally to be confidential or proprietary at the time of such disclosure and is confirmed in writing as confidential or proprietary within thirty (30) days after the initial disclosure thereof (collectively, "Confidential Information"). Notwithstanding the foregoing, a Party' s Confidential Information shall not include information that, in each case as demonstrated by written documentation or other competent evidence:

A. was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure;

B. was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

C. became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement; or

D. was subsequently lawfully disclosed to the receiving Party by a Person having no obligation to the disclosing Party or its Affiliates.

6.2 Permitted Disclosures. Notwithstanding the provisions of Section 6.1, a Party may disclose the other Party' s Confidential Information to the extent such disclosure is necessary to comply with an order or subpoena from a court of competent jurisdiction or applicable laws or governmental regulations, or to submit information to tax or other governmental authorities; provided that if a receiving Party is required to make any such disclosure of Confidential Information, to the extent it may legally do so, it shall give reasonable advance notice to other Party of such disclosure and, at such other Party' s reasonable request and expense, the compelled Party shall use its reasonable efforts to secure confidential treatment of such information prior to its disclosure (whether through protective orders or otherwise). In addition, a Party may disclose the other Party' s Confidential Information (i) to advisors, investors, employees, directors, Affiliates, and Third Parties on a need-to-know basis under conditions which reasonably ensure the confidentiality thereof; (ii) to Third Parties, in confidence, in connection with the enforcement of this Agreement or rights under this Agreement; or (iii) to Third Parties, in confidence, in connection with a merger, acquisition of stock or assets, proposed merger or acquisition, or the like.

6.3 Terms of Agreement/Press Release. Except to the extent allowed under Section 6.2 or as otherwise permitted in accordance with this Section 6.3, neither Party shall make any public announcements concerning this Agreement or the terms hereof, without the prior written consent of the other Party. The Parties agree that they will each treat the contents and terms of this Agreement and the consideration for this Agreement as Confidential Information of the other Party. The Parties acknowledge that CTI is required (and that PharmaBio' s parent may be required as well) to file or disclose this Agreement with the SEC and, subject to the exceptions set forth in this Agreement, the Parties agree not to publicly disclose the terms of, or circumstances surrounding, this Agreement to Third Parties outside of details contained in such filing(s) or in a joint press release in the form attached as Exhibit 6.3. CTI and PharmaBio agree to use reasonable efforts to provide the other with a copy of any proposed SEC filing regarding the Agreement to review prior to filing and to consider any comments of the other Party in good faith. To the extent either Party has to file or disclose this Agreement with the SEC, it shall consider in good faith the other Party' s comments with respect to confidential treatment of the Agreement' s terms.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES; LIMITATION OF LIABILITY

7.1 Mutual Representations and Warranties. CTI, PolaRx and PharmaBio each represents and warrants solely with respect to itself to the other as of the Effective Date that: (a) it is a company duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation; (b) it is duly qualified as a corporation and in good standing in each jurisdiction where the failure to be so qualified or in good standing has or could reasonably be expected to have a Material Adverse Effect; (c) the execution, delivery and performance of this Agreement by it is within its corporate power and has been duly authorized by all necessary action on its part; (d) the execution, delivery and performance by it of the Transaction Documents to which it is a party do not and shall not (i) violate any provision of its articles of incorporation or bylaws or any law or governmental rule or regulation applicable to it, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material agreement to which it is a party or by which its assets are bound, (iii) result in or require the creation or imposition of any lien upon any of its properties or assets (other than pursuant to the Transaction Documents), (in each case, except for such breaches, conflicts or defaults that do not have or are not reasonably likely to, individually or in the aggregate, have a Material Adverse Effect), or (iv) require or be subject to any consent or approval of any Third Party or governmental entity whether under any agreement or otherwise, except where failure to obtain such consent or approval does not result in, or is not reasonably likely to result in, a Material Adverse Effect; and (e) each Transaction Document to which it is a party has been duly executed and delivered and is the legally valid and binding obligation, enforceable against it in accordance with the terms thereof, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles (regardless of whether enforcement is sought in equity or at law).

7.2 Additional PharmaBio Securities Laws Representations and Warranties.

A. General. With respect to the Shares that may become issuable to PharmaBio pursuant to Section 8.6B hereof, PharmaBio hereby represents and warrants to CTI as follows (and such representations and warranties shall survive the Closing Date):

(1) Investment Purpose. PharmaBio is acquiring the Shares for its own account as principal for investment purposes only and not with a present view towards or for the public sale or distribution thereof, in whole or in part, except pursuant to sales registered or exempted from registration under the Securities Act of 1933, as amended (the "Securities Act"), and no other Person except Quintiles has a direct or indirect beneficial interest in such Shares.

(2) Accredited Investor Status. PharmaBio acknowledges its understanding that the issuance of the Shares is intended to be exempt from registration under the Securities Act by virtue of Rule 506 of Regulation D. In furtherance thereof, PharmaBio represents and warrants to CTI that it is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D and has such business and financial experience as is required to give it the capacity to protect its own interests in connection with the purchase of the Shares.

B. Prior Investment Experience. PharmaBio hereby acknowledges and represents that (i) it has prior investment experience, including investment in equity securities which are non-listed, unregistered and/or not traded on the Nasdaq National or SmallCap Market, a national stock exchange nor on the NASD' s automated quotation system for actively traded stocks, or it has employed the services of an investment advisor, attorney and/or accountant to read all of the documents furnished or made available by CTI to PharmaBio and to evaluate the merits and risks of such an equity position on its behalf; (ii) it recognizes the highly speculative nature of Shares; and (iii) it is able to bear the economic risk which it hereby assumes. PharmaBio hereby represents that it, either by reason of its business or financial experience or the business or financial experience of its professional advisors, has the capacity to protect its own interests in connection with the transaction contemplated hereby.

C. Reliance on Exemptions. PharmaBio understands that the Shares are to be issued to it in reliance upon Rule 506 of Regulation D thereunder as a specific exemption from the registration requirements of United States federal and state securities laws and that CTI is relying upon the truth and accuracy of, and PharmaBio' s compliance with, the representations, warranties, agreements, covenants, acknowledgments and understandings of PharmaBio set forth herein in order to determine the availability of such exemptions and the eligibility of PharmaBio to acquire the Shares.

D. Acknowledgement of Risks. PharmaBio recognizes that the acquisition of Shares involves a high degree of risk including, but not limited to, the following: (i) CTI remains a development stage business with limited operating history and requires substantial funds in addition to the Debt Financing and Service Payments; (ii) an equity position in CTI is highly speculative, and only investors who can afford the loss of their entire investment should consider investing in CTI and the Shares; (iii) PharmaBio may not be able to liquidate the Shares; (iv) transferability of the Shares is extremely limited; (v) in the event of a disposition of the Shares, PharmaBio could a sustain the loss of its entire value; and (vi) CTI has not paid any dividends on its Common Stock since inception and does not anticipate the payment of dividends in the foreseeable future.

E. Information. PharmaBio and its advisors, if any, have been furnished with all materials relating to certain of the business, finances and operations of CTI and materials relating to the transfer of the Shares which have been requested by PharmaBio or its advisors. PharmaBio and its advisors, if any, have been afforded the opportunity to ask questions of CTI and have received what PharmaBio believes to be satisfactory answers to any such inquiries. PharmaBio has not been furnished any other offering literature or prospectus except as mentioned herein. PharmaBio has not been furnished with any oral representation or oral information in connection with the offering of the Shares which is not contained in the Transaction Documents.

F. Governmental Review. PharmaBio understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Shares.

G. Transfer or Resale. PharmaBio understands that (i) except as provided in the Registration Rights Agreement between CTI and PharmaBio of even date herewith (the "Registration Rights Agreement"), the Shares have not been and are not being registered under the

Securities Act or any applicable state securities laws, and may not be transferred unless (1) subsequently included in an effective registration statement thereunder, (2) PharmaBio shall have delivered to CTI an opinion of counsel (which opinion shall be reasonably satisfactory to CTI) to the effect that the Shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (3) sold pursuant to Rule 144 promulgated under the Securities Act (or a successor rule) ("Rule 144"); (ii) any sale of such Shares made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if Rule 144 is not applicable, any resale of such Shares under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) and may require compliance with some other exemption under the Securities Act or the rules and regulations promulgated by the SEC thereunder; and (iii) neither CTI nor any other Person is under any obligation to register such Shares under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case, other than pursuant to the Registration Rights Agreement).

H. Legends. PharmaBio understands that until such time as the Shares have been registered under the Securities Act as contemplated by the Registration Rights Agreement, the Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Shares):

(1) The following legend under the Securities Act: "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED ABSENT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR UNLESS CTI HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO CTI AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(2) The Shares shall not contain the legend set forth above at any time while a registration statement filed pursuant to the Registration Rights Agreement is effective under the Securities Act or, in the event there is not such an effective registration statement, at such time, in the opinion of counsel to CTI, such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the SEC). CTI agrees that, in the event any Shares are issued with a legend in accordance with this Section 7.2H, it shall, within three (3) trading days after request therefor by PharmaBio, provide PharmaBio with a certificate or certificates representing such Shares, free from such legend at such time as such legend would not have been required under this Section 7.2H had such issuance occurred on the date of such request.

I. No Legal, Tax or Investment Advice. PharmaBio understands that nothing in this Agreement or any other materials presented to PharmaBio in connection with the acquisition of the Shares constitutes legal, tax or investment advice. PharmaBio has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with this Agreement and all exhibits hereto and the transactions contemplated herein and therein.

J. Residency. PharmaBio is a company organized under the laws of the State of North Carolina.

K. Confirmation of Representations and Warranties. To the extent CTI deems necessary, PharmaBio shall confirm the representations and warranties set forth in this Section 7.2 in writing immediately prior to any issuance of the Shares.

7.3 Additional Representations and Warranties of CTI Parties. CTI and PolaRx make the following representations and warranties to PharmaBio as of the Effective Date, in each case with the representations and warranties being qualified by the disclosures in those reports and statements filed by CTI with the SEC prior to the Effective Date (collectively, the "SEC Reports"):

A. Intellectual Property. To the knowledge of CTI, CTI and each of its subsidiaries owns or has valid and enforceable rights to use all Intellectual Property (as defined in the Security Agreement) used in the conduct of their respective businesses with regard to the Product in the Territory, including without limitation the Intellectual Property used or held for use to develop, commercialize, market, make, import, and distribute the Product in the Territory (collectively, the "CTI Intellectual Property"). To the knowledge of CTI, the development, manufacture, sale, offer for sale use or importation of the Product does not infringe, misappropriate or misuse any Intellectual Property owned by a Third Party, and neither CTI nor any of its subsidiaries has received notice or other communication of any actual or alleged infringement, misappropriation or unauthorized use of a Third Party' s Intellectual Property by CTI or any of its Affiliates with respect to the Product. To the knowledge of CTI, no Third Party is infringing, misappropriating or making any unauthorized use of any CTI Intellectual Property. Neither CTI nor any of its subsidiaries has entered into any agreement or arrangement, and neither CTI nor any of its subsidiaries is subject to any judgment, order or decree of any court or governmental or regulatory body, limiting the ability of CTI or its subsidiaries to exploit freely the CTI Intellectual Property or to transact business in any market in the Territory with any Third Party. There is no pending or, to the knowledge of CTI, threatened action, claim, suit, proceeding, investigation or arbitration before any court or any governmental or regulatory body challenging the validity, scope, ownership, or right to use the CTI Intellectual Property. There are no actions, claims, suits or proceedings by CTI or any of its subsidiaries against any Third Party regarding the CTI Intellectual Property or the Intellectual Property of such Third Party. CTI is not aware of any Intellectual Property owned or controlled by any Third Party, or of any facts, circumstances or events, that would materially impair or prevent CTI or its subsidiaries from developing, commercializing, marketing, making, importing, and distributing the Product in the Territory.

B. Compliance with Law. Each of CTI and its subsidiaries is in compliance in with all applicable laws in respect of the conduct of its respective business, the ownership of its respective properties, and the Product, except (i) where compliance therewith is contested in good faith by appropriate proceedings or (ii) where non-compliance therewith does not have, or could not reasonably be expected, in the aggregate, to have, a Material Adverse Effect. Each of CTI and its subsidiaries has all permits, licenses, consents and other governmental or regulatory authorizations and approvals necessary for the conduct of its respective business as now being conducted in all material respects, except where non-compliance therewith does not have, or could not reasonably be expected, in the aggregate, to have, a Material Adverse Effect.

C. FDA and Regulatory Matters. (a) CTI has (i) complied in all respects with all applicable laws in its preparation and submission of the Product Registrations for the Product in the Territory and in conducting the related clinical trials, except where non-compliance therewith does not have, or could not reasonably be expected, in the aggregate, to have, a Material Adverse Effect and (ii) has not committed an act, made a statement, or failed to make a statement that, at the time such disclosure was made, could reasonably be expected to provide a basis for the FDA or any other Regulatory Authority or other Governmental Entity to invoke its policy respecting Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities, set forth in 56 Fed. Reg. 46191 (September 10, 1991) or any similar policy. The Product Registrations listed on Schedule IV to the Security Agreement relating to the Product and Product Registration No. MAA: EU/1/02/204/001 are valid and in full force and effect.

(b) Neither CTI nor PolaRx is or has been (i) debarred by the FDA; (ii) debarred, excluded, suspended, or otherwise ineligible to participate in federal health care programs such as Medicare or Medicaid or in federal procurement and non-procurement programs; (iii) a party to a settlement, consent, or similar agreement with the FDA, Office of Inspector General, or U.S. District Attorney regarding the promotion or marketing of the Product; or (iv) convicted of violating federal or state law as a result of its promotion or marketing of the Product.

(c) The Product has been duly designated as an "orphan drug" by the FDA under applicable law, and such designation extends until September 25, 2007. CTI has no knowledge of any facts, circumstances or events that may have the effect of terminating or impairing such designation.

D. No Litigation or Other Actions. Other than the current inquiry by the U.S. attorney in the western district of Washington state regarding promotional practices for the Product, there are no legal or governmental proceedings, investigations, actions, suits or arbitrations pending or threatened to which CTI or any of its subsidiaries is or could be a party or to which any of their respective property is or could be subject that might result, singularly or in the aggregate, in a Material Adverse Effect.

E. Absence of Undisclosed Liabilities. Neither CTI nor any of its subsidiaries have any material debts, liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, arising out of transactions entered into, or any state of facts or circumstances existing on or prior to the date of this Agreement, that would be required under GAAP to be reported on the balance sheet of CTI, other than liabilities and obligations arising in the ordinary course of business after December 31, 2003, which do not have a Material Adverse Effect.

F. Absence of Changes. Since September 30, 2004, except as specifically disclosed in the SEC Reports, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company' s financial statements pursuant to GAAP or required to be disclosed in filings made with the SEC.

G. No Liens. Except Permitted Liens, no Liens (as defined in the Security Agreement) exist or are in effect upon or with respect to the Collateral.

H. Compliance with Certain Agreements. Each of the material contracts, licenses or other agreements relating primarily to the Products (including without limitation the SKI Agreement) is in full force and effect in all material respects, and each of the CTI Parties has in all material respects performed all its respective obligations required to be performed by such CTI Party under such agreements, has received no notice of breach or default, and, to each of their knowledge, neither CTI Party nor any other party to such agreements is in breach or default under such agreements in any material respect.

I. Insurance. Each CTI Party maintains insurance of the types and in the amounts that such CTI Party believes is adequate for its business.

J. Shares. Upon the issuance of the Shares pursuant to Section 8.6B, all of the Shares will be duly authorized, duly issued and outstanding, fully paid and nonassessable, and free from taxes, liens or charges (other than taxes, liens or charges created by or with respect to PharmaBio).

7.4 Disclaimer of Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS, WAIVES, RELEASES, AND RENOUNCES ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, NONINFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE VIII
TERM; CHANGE OF CONTROL AND EVENTS OF DEFAULT

8.1 Term of Agreement. This Agreement shall commence on the Effective Date and expire on the Expiration Date.

8.2 Change of Control of CTI. If CTI undergoes a Change of Control during the Term, then CTI will pay PharmaBio, on or before the date of the Change of Control becomes effective, the Termination Payment to compensate PharmaBio fully for its remaining Royalty interest in the Product (including the Minimum Payment Obligation). To the extent the Termination Payment is not fully paid by CTI prior to or upon the date such Change of Control becomes effective, CTI' s acquiror or successor, if applicable in such Change of Control, will be jointly responsible with CTI as of the date of such Change of Control becomes effective for CTI' s payment of the Termination Payment to PharmaBio upon such Change of Control. CTI will provide notice to PharmaBio of a pending Change of Control reasonably in advance of (taking into consideration the circumstances of such transaction) the date such Change of Control becomes effective. For purposes of calculating the Termination Payment, under this Section 8.2, a Change of Control will be considered a Divestiture Event for purposes of Section 8.6B.

Without limiting the foregoing, PharmaBio and CTI acknowledge that there may be circumstances under which the Parties may have an interest in continuing this Agreement rather than

terminating it in connection with a Change of Control. Any such continuation would be pursuant to a definitive assignment or other agreement on mutually satisfactory terms and conditions. IT IS UNDERSTOOD AND AGREED BY THE PARTIES THAT THE PARTIES ARE UNDER NO OBLIGATION TO DISCUSS OR NEGOTIATE ANY SUCH CONTINUATION AND NO PARTY SHALL HAVE ANY LIABILITY AS A RESULT OF A FAILURE TO SO DISCUSS OR NEGOTIATE OR FAILURE TO AGREE ON THE TERMS AND CONDITIONS OF SUCH A CONTINUATION, IN EACH CASE FOR ANY REASON.

8.3 Unfavorable Marketing Event or FDA Market Withdrawal. During the Term for so long as (i) an Unfavorable Marketing Event exists or (ii) CTI removes or withdraws, or is required by the FDA or other competent governmental authority to remove or withdraw the Product from the market in the Territory for safety reasons, CTI shall pay PharmaBio [*] days after each Calendar Quarter the greater of (A) the Royalty (as calculated on actual Net Sales in accordance with Section 5.2) for such Calendar Quarter or (B) [*] of the applicable minimum Cumulative Payment Amount (set forth in the table in Section 5.7) until such time the condition described in clause (i) or (ii) of this Section 8.3 above no longer exists.

8.4 Events of Default. As used herein, "Event of Default" means any of the following conditions or events occur:

A. CTI' s failure to pay any amount it owes under this Agreement when due and fifteen (15) days have elapsed following receipt by CTI of written notice from PharmaBio of such non-payment without cure thereof;

B. CTI or PolaRx is (i) debarred by the FDA; (ii) debarred, excluded, suspended, or otherwise ineligible to participate in federal health care programs such as Medicare or Medicaid or in federal procurement and non-procurement programs; (iii) a party to a settlement, consent, or similar agreement with the FDA, Office of Inspector General, or U.S. District Attorney regarding the promotion or marketing of the Product with a fine greater than US$20,000,000 or the Product is permanently removed from the Territory due to CTI' s promotional actions; or (iv) convicted of violating federal or state law as a result of its promotion or marketing of the Product and the Product is permanently removed from the Territory;

C. Termination of the SKI Agreement;

D. CTI fails to perform or comply with any material agreement or covenant (other than those set forth in Sections 3.4(A) – 3.4(D) or covered by Section 8.4A above) made by CTI under any Transaction Document and such failure to perform or comply is not cured in thirty (30) days after receipt of written notice from PharmaBio of such non-performance or non-compliance;

E. Any representation or warranty made by CTI under this Agreement proves to have been untrue or incorrect in any material respect when made;

[*] CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

F. CTI breaches or defaults under the terms of any debt or other obligation in an amount of US$15,000,000 or more and the holder of such debt or obligation causes such debt or obligation to become due prior to its stated maturity;

G. CTI or PolaRx (i) commences a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consents to or fails to contest within sixty (60) days and in appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) applies for or consents to, or fails to contest within sixty (60) days and in appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, (v) admits in writing its inability to pay its debts as they become due, (vi) makes a general assignment for the benefit of creditors, or (vii) takes any corporate action for the purpose of authorizing any of the foregoing; or

H. A case or other proceeding shall be commenced against CTI or PolaRx in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for CTI, PolaRx or any of their subsidiaries or for all or any substantial part of their respective assets; and under either clause (i) or (ii) above, such case or proceeding has continued without dismissal or stay for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.

I. CTI ceases to own all of the outstanding capital stock of PolaRx, except in the event where PolaRx merges into CTI and CTI is the surviving entity.

J. The Security Agreement or Guaranty ceases to be in full force and effect.

8.5 Remedies.

A. Sublicense to PharmaBio. Subject to the terms and conditions of this Agreement, PolaRx hereby grants to PharmaBio an exclusive sublicense under all of PolaRx' s interest in the Patent Rights, Licensed Processes and Licensed Products (as each such term is defined in the SKI Agreement, and including associated know how), to the fullest extent allowed pursuant the SKI Agreement and subject to the terms and conditions therein, solely as required for the manufacture, sale, offer for sale, use or importation of Products in the Territory (the "Sublicense"). Notwithstanding the foregoing, PharmaBio hereby covenants and agrees only to exercise the Sublicense solely during the existence of an Event of Default and to the extent necessary to satisfy the CTI Parties' obligations to PharmaBio hereunder. For clarity with respect to a particular Event of Default, the Sublicense shall only be exercisable until the earlier of: (i) the receipt by PharmaBio of all Royalty Obligations or the Termination Payment, as applicable, hereunder or (ii) the cure or waiver of the applicable Event of Default, provided that in the case of this clause (ii) that PharmaBio has not incurred material expenses or taken on uncancellable obligations in connection with the exercise of the Sublicense, in which case the Sublicense shall be exercise able until the condition in clause (i) is met or CTI reimburses PharmaBio for such expenses or agrees to take assignment of such obligations, if assignable.

B. Additional Remedies in Event of Default. Upon the occurrence and during the continuance of any Event of Default, (a) PharmaBio shall have the right to declare any unpaid amount of the Minimum Payment Obligation to be immediately due and payable, whereupon the same shall become immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived; (b) PharmaBio shall have the rights set forth in the Security Agreement; and (c) PharmaBio may elect to terminate any remaining portion of its Service Payments Obligation.

8.6 Divestiture and Termination Payment.

A. CTI or PolaRx Divest their Product Rights or Assets. At any time during the Term, the CTI Parties may assign, sell, license, sublicense, or otherwise transfer any of their respective rights and assets regarding the Product in the Territory to any person without PharmaBio' s consent. However, if as a result of such transaction the CTI Parties do not retain primary responsibility for the regulatory compliance, marketing, and promotion of the Product in the Territory (such a transaction, a "Divestiture Event"), then CTI will pay PharmaBio, on or before the date of the Divestiture Event becomes effective, the Termination Payment to compensate PharmaBio fully for its remaining Royalty interest in the Product (including the Minimum Payment Obligation). To the extent the Termination Payment is not fully paid by CTI prior to or upon the date such Divestiture Event becomes effective, the other party in such Divestiture Event will be jointly responsible with CTI as of the date of such Divestiture Event for CTI' s payment of the Termination Payment to PharmaBio for such Divestiture Event. CTI will provide notice to PharmaBio of a pending Divestiture Event reasonably in advance of (taking into consideration the circumstances of such transaction) the date of such Divestiture Event becomes effective.

Without limiting the foregoing, PharmaBio and CTI acknowledge that there may be circumstances under which the Parties may have an interest in continuing this Agreement rather than terminating it in connection with a Divestiture Event. Any such continuation would be pursuant to a definitive assignment or other agreement on mutually satisfactory terms and conditions. IT IS UNDERSTOOD AND AGREED BY THE PARTIES THAT THE PARTIES ARE UNDER NO OBLIGATION TO DISCUSS OR NEGOTIATE ANY SUCH CONTINUATION AND NO PARTY SHALL HAVE ANY LIABILITY AS A RESULT OF A FAILURE TO SO DISCUSS OR NEGOTIATE OR FAILURE TO AGREE ON THE TERMS AND CONDITIONS OF SUCH A CONTINUATION, IN EACH CASE FOR ANY REASON.

B. Calculation of Termination Payment Upon a Divestiture Event. As set forth below, the amount of the payment (and even the composition of it) calculated in accordance with this Section 8.6B (the "Termination Payment") can fluctuate due to the timing of the triggering Divestiture Event and the amount of Royalties (including Annual Minimum True-up Payments) received by PharmaBio prior to such triggering event, but the purpose of the Termination Payment is to ensure that PharmaBio has received at least a cumulative [*] internal rate of return under the Agreement as of the effective date of the Divestiture Event, but no less than [*].

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(1) Divestiture in CY 2005. If the effective date of a Divestiture Event occurs during Calendar Year 2005, then the Termination Payment payable to PharmaBio shall be equal to (i) [*] minus any and all Royalties (including Annual Minimum True-up Payments) received by PharmaBio prior to the effective date of such Divestiture Event, payable via a wire transfer in immediately available funds and (ii) an additional Two Million Five Hundred Thousand Dollars (US$2,500,000), payable via a wire transfer in immediately available funds or in shares of CTI common stock, at CTI' s sole election ((ii), the "Elective Portion"). If the Elective Portion is to be paid in shares of CTI common stock, then CTI shall issue a number of shares equal to Two Million Five Hundred Thousand Dollars (US$2,500,000) divided by the Applicable Share Price (as defined below) (the "Shares"). The "Applicable Share Price" for the Shares would be the average trading price of CTI' s common stock during the thirty (30) Trading Days immediately preceding the effective date of the Divestiture Event triggering the Termination Payment. In addition, the Shares shall be subject to the terms set forth in the Registration Rights Agreement. The Shares, if and when issued, shall be duly authorized, duly and validly issued and outstanding, fully paid and nonassessable, and free from taxes, liens or charges. If the triggering event for the Termination Payment under this subsection is a Change of Control and, as a result of such Change of Control, CTI' s common stock is no longer publicly traded, then CTI shall not have the ability to make payment of the Elective Portion in stock, and the Elective Portion shall instead be paid via a wire transfer in immediately available funds. "Trading Day" shall mean a day on which trading of the common stock of CTI occurs on the Nasdaq Stock Market or such other national stock exchange or over-the-counter trading market on which CTI' s common stock is then listed for trading. Further, in the event a Divestiture Event occurs during Calendar Year 2005, the cash portion of the Termination Payment shall be placed, as of the effective of the Divestiture Event, in an interest-bearing deposit account with a bank located in the United States designated by PharmaBio and reasonably acceptable to CTI pursuant an escrow agreement mutually acceptable to CTI and PharmaBio, and on December 31, 2005 the principal thereof shall be paid to PharmaBio and any interest shall be paid to CTI (or its designee). The only condition to the payment of such principal and interest under the escrow agreement shall be the arrival of December 31, 2005. For clarity, PharmaBio' s security interest in and to the Collateral shall be terminated as of the placement of the Termination Payment into such escrow under the conditions described in the immediately prior sentence.

(2) Divestiture in Q1 2006. If the effective date of a Divestiture Event occurs during the First Calendar Quarter of Calendar Year 2006, then the Termination Payment payable to PharmaBio shall be equal to [*] minus any and all Royalties (including Annual Minimum True-up Payments) received by PharmaBio prior to the effective date of such Divestiture Event, payable in cash.

(3) Divestiture after Q1 2006. If the effective date of a Divestiture Event occurs after the First Calendar Quarter of Calendar Year 2006, then to calculate the Termination Payment, the "Month End Required IRR Balance" (as defined below) will be calculated for each calendar month, beginning with April 2006, through the month in which PharmaBio receives the Termination Payment. The amount of the Termination Payment will be equal to the "Month End Required IRR Balance" of the month in which the effective date of the Divestiture Event occurs. However, if such Month End Required IRR Balance is zero or a negative amount, then the Termination Payment will be zero dollars (US$0). An example of the calculation of the Termination Payment with respect to a Divestiture Event occurring after the First Calendar Quarter of Calendar Year 2006 is set forth on Exhibit 8.6B.

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"Month End Required IRR Balance" = (IRR Balance x Future Value Factor) – (Royalties and Annual Minimum True-Up Payments received that month)

"Future Value Factor" = [*]

"IRR Balance" means, for April 2006, [*] (*i.e.*, [*] x [*]). After April 2006, the "IRR Balance" will be the Month End Required IRR Balance for the then-preceding month.

ARTICLE IX
INDEMNIFICATION

9.1 General. The CTI Parties hereby agree to indemnify, defend and hold PharmaBio, its Affiliates, and their respective directors, officers, employees, agents and their respective successors, heirs and assigns (the "Indemnitees") harmless from and against any losses, costs, claims, damages, liabilities or expenses (including reasonable attorneys' and professional fees and other expenses of litigation) arising out of claims, suits, actions or demands, in each case brought by a Third Party or settlements or judgments arising therefrom (including personal injury, products liability and intellectual property infringement or misappropriation claims) (each a "Claim") as a result of (1) this Agreement, (2) CTI' s or a CTI Affiliate' s, licensee' s, sublicensee' s, agent' s or contractor' s development, promotion, marketing, handling, manufacture, packaging, labeling, storage, distribution, transport, use, or sale or other disposition of the Product, (3) a CTI Party' s breach of an obligation, agreement, condition, covenant, representation, or warranty of such CTI Party in the Transaction Documents, or (4) the negligence, recklessness, intentional wrongful acts or omissions of any CTI Party, Affiliate, licensee, sublicense, or contractor or any of their respective directors, employees or agents; provided, however, that (i) the CTI Parties' obligations pursuant to this Article IX shall not apply to the extent such Claims result from the negligence, recklessness, or intentional wrongful acts or omissions of any of the Indemnitees, or the breach of the terms and conditions of this Agreement by any of the Indemnitees, including the representations and warranties made by PharmaBio in Article VII.

9.2 Procedure. An Indemnitee shall give prompt written notification to CTI of any Claim for which indemnification pursuant to this Article IX may be sought; provided, however, that no delay on the part of the Indemnitee in notifying CTI shall relieve CTI of any liability or obligation hereunder except to the extent of any damage or liability caused by or arising out of such failure. An Indemnitee shall reasonably cooperate with CTI, at CTI' s expense, in the defense of such Claim. Within thirty (30) days after delivery of such notification, CTI may, upon written notice thereof to the Indemnitee, assume control of the defense of such Claim provided CTI acknowledges in writing to the Indemnitee that any damages, fines, costs or other liabilities that may be assessed against the Indemnitee in connection with such Claim shall be entitled to indemnification pursuant to this Article IX. If CTI does not so assume control of such defense, the Indemnitee shall control such defense. The Party not controlling such defense may participate therein at its own expense. The Party controlling such defense shall keep the other Party advised of the status of such Claim and the

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defense thereof. The Indemnitee shall not agree to any settlement of such Claim without the prior written consent of CTI, which shall not be unreasonably withheld. Similarly, CTI shall not agree to any settlement of such Claim without the prior written consent of the Indemnitee, which shall not be unreasonably withheld. Indemnitees will be entitled to enforce this Article IX as if a Party to this Agreement.

ARTICLE X
MISCELLANEOUS

10.1 Governing Law. This Agreement shall be subject to the laws of the State of Washington, as applied to agreements executed and performed entirely in Washington, without regard to conflicts of law rules.

10.2 Dispute Resolution.

A. First-Level Escalation. Any dispute, controversy or claim arising under, out of or in connection with this Agreement, including any subsequent amendments, or the validity, enforceability, construction, performance or breach hereof shall be first be submitted to the chief executive officers (or a senior executive direct report) of CTI and PharmaBio for attempted resolution. In such case, the chief executive officers (or their designees) shall meet as soon as practicable, as reasonably requested by either Party to discuss such dispute.

B. Arbitration. If any dispute is not resolved within thirty (30) days after submission of such dispute for resolution under Section 10.2A, either Party may at any time thereafter provide the other Party written notice specifying such dispute in reasonable detail and notifying the other Party of its decision to institute arbitration proceedings pursuant to this Section 10.2B. In such case such dispute shall be finally settled under the rules set forth in the Commercial Dispute Resolution Procedures of the Arbitration of American Arbitration Association (the "Rules") then in force on the date of commencement of the arbitration by three (3) arbitrators appointed in accordance with those Rules; provided however if the Parties mutually agree, such arbitration may be conducted by a single mutually agreeable arbitrator. The award rendered shall be final and binding on the Parties. Judgment upon the award may be entered in any court having jurisdiction. The place of arbitration shall be in San Francisco, California. The law of the State of Washington shall be applied as set forth in Section 10.1. The costs of any arbitration, including administrative fees and fees of the arbitrators, shall be shared equally by the Parties, unless otherwise specified by the arbitrators. Each Party shall bear the cost of its own attorneys' and expert fees; provided that the arbitrators may in their discretion award to the prevailing Party the costs and expenses incurred by the prevailing Party in connection with the arbitration proceeding.

10.3 Limitation on Liability. EXCEPT FOR BREACH OF SECTION 6.1 OR AS PROVIDED IN ARTICLE IX, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES OF ANY KIND ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE), EVEN IF SUCH PARTY WAS ADVISED OR OTHERWISE AWARE OF THE LIKELIHOOD OF SUCH DAMAGES.

10.4 Relationship of the Parties. Each Party shall bear its own costs incurred in the performance of its obligations hereunder without charge or expense to the other except as expressly provided in this Agreement. Neither Party shall have any responsibility for the hiring, termination or compensation of the other Party' s employees or for any employee benefits of such employee. No employee or representative of a Party shall have any authority to bind or obligate the other Party to this Agreement for any sum or in any manner whatsoever, or to create or impose any contractual or other liability on the other Party without said Party' s approval. For all purposes and notwithstanding any other provision of this Agreement to the contrary, each Party' s legal relationship under this Agreement to the other Party shall be that of independent contractor. This Agreement is not a partnership agreement and nothing in this Agreement shall be construed to establish a relationship of co-partners or joint venturers between the Parties.

10.5 Assignment. Neither this Agreement nor any rights or obligations hereunder may be assigned by any Party, by operation of law or otherwise, without the prior written consent of the other Parties; provided, however, that (1) this Agreement may be assigned by CTI in accordance with Section 8.2; (2) this Agreement may be assigned by the CTI Parties in accordance with Section 8.6A; (3) any Party may assign this Agreement, in whole or in part, to any of its Affiliates (while such entity remains an Affiliate) if such Party guarantees the performance of this Agreement by such Affiliate and such Affiliate expressly agrees to assume such performance, both guarantee and assumption in a writing in form and substance reasonably satisfactory to the other Party; and (4) PharmaBio may assign this Agreement to (i) a Person that acquires all or substantially of its assets or (ii) if PharmaBio is a party to a merger, consolidation, share exchange, business combination or similar transaction and is not the surviving entity, to the surviving or new entity from such transaction; and (5) any Party may assign its rights, if any, to receive payments under the Transaction Documents (and the rights to enforce such rights to payment) to any Person. This Agreement shall be binding upon, and subject to the terms of the foregoing sentence, inure to the benefit of the Parties hereto, their permitted successors, legal representatives and assigns. Any assignment or attempted assignment not in accordance with this Section 10.5 shall be null and void.

10.6 Notices. All notices, requests and communications hereunder shall be in writing and shall be personally delivered or sent by facsimile transmission, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by international express courier service (e.g., Federal Express), and shall be deemed to have been properly served to the addressee upon receipt of such written communication, to following addresses of the Parties, or such other address as may be specified in writing to the other Party:

If to the CTI Parties:

Cell Therapeutics, Inc.

501 Elliott Avenue West, Suite 400

Seattle, WA 98119

Attn: Legal Affairs

Fax: +(206) 272-4397

With a copy to:

Wilson Sonsini Goodrich & Rosati
One Market
Spear Street Tower
Suite 3300
San Francisco, CA 94105
Attn: Michael Kennedy, Esq.
Fax: +(415) 947-2099
Email: mkennedy@wsgr.com

If to PharmaBio:

PharmaBio Development, Inc.
4709 Creekstone Drive
Suite 200
Durham, NC 27703
Attn: General Counsel
Fax: (919) 998-2542

10.7 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the Parties as nearly as may be possible. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. Nothing in this Agreement shall be interpreted so as to require a Party to violate any applicable laws, rules or regulations.

10.8 Waiver. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. Except as expressly set forth in this Agreement, all rights and remedies available to a Party, whether under this Agreement or afforded by law or otherwise, shall be cumulative and not in the alternative to any other rights or remedies that may be available to such Party.

10.9 Entire Agreement. The Transaction Documents (including the exhibits and schedules thereto) sets forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties and supersedes and terminates all prior agreements and understandings between the Parties (including the Confidentiality Agreement). There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as set forth in the Transaction Documents. No subsequent alteration, amendment, change or addition to any Transaction Document shall be binding upon the Parties unless reduced to writing and signed by the respective authorized officers of the Parties.

10.10 Third Party Beneficiaries. Except with regard to Indemnitees under Article IX, all rights, benefits and remedies under this Agreement are solely intended for the benefit of the Parties, and no Third Party shall have any rights whatsoever to (i) enforce any obligation contained in this Agreement (ii) seek a benefit or remedy for any breach of this Agreement, or (iii) take any other action relating to this Agreement under any legal theory, including but not limited to, actions in contract, tort (including but not limited to negligence, gross negligence and strict liability), or as a defense, setoff or counterclaim to any action or claim brought or made by the Parties.

10.11 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement. Each accounting term used herein that is not specifically defined herein shall have the meaning given to it under GAAP, but only to the extent consistent with its usage and the other definitions in this Agreement. Unless context otherwise clearly requires, whenever used in this Agreement: (i) the words "include" or "including" shall be construed as incorporating, also, "but not limited to" or "without limitation;" (ii) the word "day" or "year" means a calendar day or year unless otherwise specified; (iii) the word "notice" shall mean notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (iv) the words "hereof," "herein," "hereby" and derivative or similar words refer to this Agreement (including any Exhibits); (v) the word "or" shall be construed as the inclusive meaning identified with the phrase "and/or;"(vi) provisions that require that a Party, the Parties or any committee or team hereunder "agree," "consent" or "approve" or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (vii) words of any gender include the other gender; (viii) words using the singular or plural number also include the plural or singular number, respectively; (ix) references to any specific law or article, section or other division thereof shall be deemed to include the then-current amendments thereto or any replacement law thereof; and (x) all references to "Dollars" or "$" shall mean the official currency of the United States of America.

10.12 No Implied Licenses. Each Party acknowledges that the rights and licenses granted in this Agreement are limited to the scope expressly granted, and all other rights to each Party' s respective technologies and intellectual property rights are expressly reserved to the Party owning or controlling such technologies and intellectual property rights.

10.13 Counterparts. This Agreement may be executed in any two counterparts, each of which, when executed, shall be deemed to be an original and both of which together shall constitute one and the same document.

10.14 Survival. The rights and obligations of the Parties under and the provisions of Articles VI (for the period set forth therein), IX and X and Sections 2.2 (until all amounts payable thereunder have been paid by PharmaBio and credited to the account of CTI or its Affiliates, as

applicable), 5.3, 5.4 (for the period set forth therein), 5.8, 5.9, 5.10, 7.2 (as set forth therein) and 7.4 survive the termination or expiration of this Agreement. Except as specifically provided to the contrary in this Agreement, termination or expiration of the Agreement will be without prejudice to any rights that have accrued to the benefit of a Party prior to such termination or expiration and will not relieve a Party of any obligations accrued by it hereunder prior to such termination or expiration. Further, except as specifically provided to the contrary in this Section 10.14 or other provision hereof that by its express terms survives the termination of expiration of this Agreement, all rights and obligations of the Parties under all other provisions in this Agreement shall terminate upon expiration or termination of this Agreement for any reason.

10.15 Further Assurances. Each Party agrees to execute, acknowledge, and deliver such further instruments, and to do all other acts, as may be reasonably necessary or appropriate within the contemplation of this Agreement to carry out the purposes and intent of this Agreement.

[The remainder of this page left intentionally blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate originals by their duly authorized representatives as of the Effective Date.

Cell Therapeutics, Inc.

By: /s/ James Bianco

Name: James Bianco

Title: President & CEO

PharmaBio Development, Inc.

By: /s/ William O. Robb

Name: William O. Robb

Title: Vice President

PolaRx Biopharmaceuticals, Inc.

By: /s/ James Bianco

Name: James Bianco

Title: President

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Exhibit 3.1C

Security Agreement

See Exhibit 10.3

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Exhibit 5.2

Illustration of PharmaBio Royalty Calculation

In order to illustrate the manner in which the Royalty shall be calculated, a hypothetical set of facts is set forth in the table below. For each Calendar Quarter set forth in the table below, the hypothetical Net Sales accrued in each such Calendar Quarter are set forth in the table below, and the Royalty payable as of [*] days after the end of each such hypothetical Calendar Quarter are set forth in the table below.

Calendar Quarter	Net Sales Recorded in the Calendar Quarter ($)	Calculation of Royalty for the Calendar Quarter	Aggregate Royalty Payable for the Calendar Quarter ($)
First Calendar Quarter	11,500,000	11,500,000 * [*]% = [*]	[*]
Second Calendar Quarter	14,000,000	14,000,000 * [*]% = [*]	[*]
Third Calendar Quarter	16,000,000	14,500,000 * [*]% = [*] *PLUS* 1,500,000 * [*]% = [*]	[*]
Fourth Calendar Quarter	17,000,000	17,000,000 * [*]% = [*]	[*]

[*] CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Exhibit 5.7

Illustration of Annual Minimum True-Up Payment Calculation

By way of example only as to calculating a Annual Minimum True-Up Payment under Section 5.7, if by December 31, 2006, PharmaBio has not received at least Ten Million Six Hundred Thousand Dollars (US$10,600,000) in cumulative Royalties, then CTI will pay PharmaBio, no later than February 28, 2007, the difference between Ten Million Six Hundred Thousand Dollars (US$10,600,000) and the cumulative amount of Royalties received by PharmaBio to date. Similarly, if by December 31, 2007, PharmaBio has not received at least Twenty-three Million Dollars (US$23,000,000) in cumulative Royalties (including, if applicable, the Annual Minimum True-up Payment made in connection with Calendar Year 2006), then CTI will pay PharmaBio, no later than February 28, 2008, the difference between Twenty-three Million Dollars (US$23,000,000) and the cumulative amount of Royalties (and, if applicable, the 2006 Annual Minimum True-up Payment) received by PharmaBio to date.

Exhibit 6.3

Joint Press Release

See Exhibit 99.1

Exhibit 8.6B(3)

Example Calculation of Termination Payment Post Q1 2006

By way of illustration of the payment of the Termination Payment, under Section 8.6B(3), for a Divesture Event occurring after Q1 2006, assume that CTI divests the Product assets in December 2006 and that royalties received in 2006 by PharmaBio are: [*] in May 2006 for Q1 Net Sales, $[*] in August 2006 for Q2 Net Sales, and [*] in November 2006 for Q3 Net Sales. The Termination Payment would be calculated as follows:

The Month End Required IRR Balance would be calculated for April 2006:

[*]

Based on the April Month End Required IRR Balance, the Month End Required IRR Balance would then be calculated for May 2006:

[*]

Based on the May Month End Required IRR Balance, the Month End Required IRR Balance would then be calculated for June 2006:

[*]

Based on the June Month End Required IRR Balance, the Month End Required IRR Balance would then be calculated for July 2006:

[*]

Based on the July Month End Required IRR Balance, the Month End Required IRR Balance would then be calculated for August 2006:

[*]

Based on the August Month End Required IRR Balance, the Month End Required IRR Balance would then be calculated for September 2006:

[*]

Based on the September Month End Required IRR Balance, the Month End Required IRR Balance would then be calculated for October 2006:

[*]

[*] CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Based on the October Quarter End Required IRR Balance, the Quarter End Required IRR Balance would be calculated for November 2006:

[*]

Based on the November Quarter End Required IRR Balance, the Quarter End Required IRR Balance would be calculated for December 2006:

[*]

Because the Termination Payment equals the last Month End Required IRR Balance, the Termination Payment paid to PharmaBio in this example would be [*].

[*] CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Exhibit 10.2

GUARANTY AGREEMENT

GUARANTY AGREEMENT (this "Agreement") dated as of December 21, 2004, between POLARX BIOPHARMACEUTICALS, INC., a Delaware corporation (the "Guarantor"), and PHARMABIO DEVELOPMENT INC., a North Carolina corporation ("PharmaBio").

R E C I T A L S

Reference is made to the Financing Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Financing Agreement"), among CELL THERAPEUTICS, INC., a Washington corporation ("Debtor"), Guarantor, and PharmaBio. Reference is also made to the Security Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Security Agreement"), among Debtor, Guarantor, and PharmaBio. Capitalized terms used in this Agreement and not otherwise defined have the meanings specified in the Financing Agreement.

The Guarantor is a direct subsidiary of the Debtor and acknowledges that the Guarantor will derive substantial benefit from the Financing Agreement. The obligation of PharmaBio to enter into the Financing Agreement is conditioned on, among other things, the execution and delivery by the Guarantor of this Agreement. As consideration therefor and in order to induce PharmaBio enter into the Financing Agreement, the Guarantor is willing to execute this Agreement.

NOW THEREFORE, in consideration of the foregoing and other benefits accruing to the Guarantor, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Guaranty. The Guarantor unconditionally guaranties, as a primary obligor and not merely as a surety, the punctual and complete payment and performance of the Royalty Obligation, Annual True-Up Payments, the Minimum Payment Obligation and the Termination Payment arising under the Financing Agreement, in each case whether (i) such obligations are direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due whether at stated maturity, by acceleration or otherwise, (ii) arising in the regular course of business or otherwise, (iii) for payment or performance or (iv) now existing or hereafter arising (including, without limitation, interest and other obligations arising or accruing after the commencement of any bankruptcy, insolvency, reorganization or similar proceeding with respect to the Debtor or any other Person, or which would have arisen or accrued but for the commencement of such proceeding, even if such obligation or the claim therefor is not enforceable or allowable in such proceeding) (all such obligations arising under the Financing Agreement being collectively called the "Obligations"). The Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guaranty notwithstanding any extension or renewal of any Obligation.

SECTION 2. Obligations Not Waived. To the fullest extent permitted by applicable law, the Guarantor waives presentment to, demand of payment from and protest to the Debtor of any of the Obligations, and also waives notice of acceptance of its guaranty and notice of protest

for nonpayment. To the fullest extent permitted by applicable law, the obligations of the Guarantor hereunder shall not be affected by (a) the failure of PharmaBio to assert any claim or demand or to enforce or exercise any right or remedy against the Debtor under the provisions of the Financing Agreement, the Security Agreement or otherwise, (b) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, this Agreement, the Financing Agreement, the Security Agreement, or any other agreement, or (c) the failure to perfect any security interest in or lien on, or the release of, any of the security held by or on behalf of PharmaBio.

SECTION 3. Security. The Guarantor authorizes PharmaBio to (a) take and hold security for the payment of this Agreement and the Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as it in its sole discretion may determine and (c) release or substitute any one or more endorsees, other guarantors or other obligors.

SECTION 4. Guaranty of Payment. The Guarantor further agrees that its guaranty constitutes a guaranty of payment when due and not of collection, and waives any right to require that any resort be had by PharmaBio to any of the security held for payment of the Obligations.

SECTION 5. No Discharge or Diminishment of Guaranty. The obligations of the Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of PharmaBio to assert any claim or demand or to enforce any remedy under the Financing Agreement, the Security Agreement, or any other agreement, by any waiver or modification of any provision thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of the Guarantor or that would otherwise operate as a discharge of the Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

SECTION 6. Defenses of Guarantor Waived. To the fullest extent permitted by applicable law, the Guarantor waives any defense based on or arising out of any defense of the Debtor or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Debtor, other than the final and indefeasible payment in full in cash of the Obligations. PharmaBio may, at its election, foreclose on any security by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Debtor or exercise any other right or remedy available to it against the Debtor, without affecting or impairing in any way the liability of the Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, the Guarantor waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of the Guarantor against the Debtor or any security.

SECTION 7. Agreement to Pay. In furtherance of the foregoing and not in limitation of any other right that PharmaBio has at law or in equity against the Guarantor by virtue hereof, upon the failure of the Debtor to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Guarantor hereby promises to and will forthwith pay, or cause to be paid, to PharmaBio in cash the amount of such unpaid Obligations.

SECTION 8. Information. The Guarantor assumes all responsibility for being and keeping itself informed of the Debtor' s financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that the Guarantor incurs hereunder, and agrees that PharmaBio will not have any duty to advise the Guarantor of information known to it regarding such circumstances or risks.

SECTION 9. Termination. The Guaranty made hereunder (i) shall terminate when all the Obligations have been paid in full in cash and PharmaBio has no further obligation to provide funds to the Debtor under the Financing Agreement and (ii) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by PharmaBio upon the bankruptcy or reorganization of the Debtor, or otherwise. In connection with the foregoing, PharmaBio shall execute and deliver to the Guarantor or Guarantor' s designee, at the Guarantor' s expense, any documents or instruments which the Guarantor shall reasonably request from time to time to evidence such termination and release.

SECTION 10. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements or on behalf of the Guarantor that are contained in this Agreement shall inure to the benefit of each party hereto and their respective successors and assigns. This Agreement shall become effective as to the Guarantor when a counterpart hereof executed on behalf of the Guarantor shall have been delivered to PharmaBio, and a counterpart hereof shall have been executed on behalf of PharmaBio, and thereafter shall be binding upon the Guarantor and PharmaBio and their respective successors and assigns, and shall inure to the benefit of the Guarantor, PharmaBio, and their respective successors and assigns, except that the Guarantor shall not have the right to assign any of its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be null and void) except as expressly permitted by the Financing Agreement.

SECTION 11. Waivers; Amendment. (a) No failure or delay of PharmaBio in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of PharmaBio hereunder and under the Financing Agreement and the Security Agreement are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Guarantor in any case shall entitle the Guarantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Guarantor and PharmaBio.

SECTION 12. Governing Law. This Agreement shall be subject to the laws of the State of Washington, as applied to agreements executed and performed entirely in Washington, without regard to conflicts of law rules.

SECTION 13. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 10.7 of the Financing Agreement.

SECTION 14. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by the Guarantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or the Financing Agreement shall be considered to have been relied upon by PharmaBio and shall survive the payment of any amounts by PharmaBio to the Debtor regardless of any investigation made by PharmaBio, and shall continue in full force and effect until the Obligations have been paid in full in cash and PharmaBio has no further obligation to provide funds to the Debtor under the Financing Agreement.

(b) In the event any one or more of the provisions contained in this Agreement, the Financing Agreement or the Security Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions to be replaced thereby.

SECTION 15. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract and shall become effective as provided in Section 10. Delivery of an executed signature page to this Agreement by telecopy shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 16. Rules of Interpretation. The rules of interpretation specified in Section 10.12 of the Financing Agreement shall be applicable to this Agreement.

SECTION 17. Dispute Resolution. (a) Any dispute, controversy or claim arising under, out of or in connection with this Agreement, including any subsequent amendments, or the validity, enforceability, construction, performance or breach hereof shall be first be submitted to the chief executive officers (or a senior executive direct report) of Guarantor and PharmaBio for attempted resolution. In such case, the chief executive officers (or their designees) shall meet as soon as practicable, as reasonably requested by either party to discuss such dispute.

(b) If any dispute is not resolved within thirty (30) days after submission of such dispute for resolution under Section 17(a), either Guarantor or PharmaBio may at any time

thereafter provide the other party written notice specifying such dispute in reasonable detail and notifying the other party of its decision to institute arbitration proceedings pursuant to this Section 17(b). In such case such dispute shall be finally settled under the rules set forth in the Commercial Dispute Resolution Procedures of the Arbitration of American Arbitration Association (the "Rules") then in force on the date of commencement of the arbitration by three (3) arbitrators appointed in accordance with those Rules; provided however if Guarantor and PharmaBio mutually agree, such arbitration may be conducted by a single mutually agreeable arbitrator. The award rendered shall be final and binding on Guarantor and PharmaBio. Judgment upon the award may be entered in any court having jurisdiction. The place of arbitration shall be in San Francisco, California. The law of the State of Washington shall be applied as set forth in Section 12. The costs of any arbitration, including administrative fees and fees of the arbitrators, shall be shared equally by Guarantor and PharmaBio, unless otherwise specified by the arbitrators. Each of Guarantor and PharmaBio shall bear the cost of its own attorneys' and expert fees; provided that the arbitrators may in their discretion award to the prevailing party the costs and expenses incurred by the prevailing party in connection with the arbitration proceeding.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

POLARX BIOPHARMACEUTICALS, INC.

By: /s/ James Bianco
Name: James Bianco
Title: President

PHARMABIO DEVELOPMENT INC.

By: /s/ William O. Robb
Name: William O. Robb
Title: Vice President

Exhibit 10.3

SECURITY AGREEMENT

SECURITY AGREEMENT (as amended, amended and restated, supplemented or otherwise modified from time to time, this "Agreement") dated as of December 21, 2004, among CELL THERAPEUTICS, INC., a Washington corporation (the "Debtor"), POLARX BIOPHARMACEUTICALS, INC., a Delaware corporation and wholly-owned subsidiary of the Debtor (the "Subsidiary Guarantor" and, together with the Debtor, the "Grantors"), and PHARMABIO DEVELOPMENT INC., a North Carolina corporation (the "Secured Party").

R E C I T A L S

A. The Debtor, the Subsidiary Guarantor, and the Secured Party have, in connection with the execution and delivery of this Agreement, entered into the Financing Agreement, dated as of the date hereof (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Financing Agreement").

B. Pursuant to the Guaranty Agreement, dated as of the date hereof (the "Guaranty Agreement"), by and between the Subsidiary Guarantor and the Secured Party, the Subsidiary Guarantor has, among other things, unconditionally guarantied certain obligations of the Debtor under the Financing Agreement.

C. The Debtor and Subsidiary Guarantor will receive substantial benefits from the execution, delivery and performance of the obligations under the Financing Agreement and are, therefore, willing to enter into this Agreement.

D. Each Grantor is or, as to Collateral (as defined in the Financing Agreement) acquired by such Grantor after the date hereof, will be the legal or beneficial owner of the Collateral pledged by it hereunder.

E. This Agreement is given by each Grantor for the benefit of the Secured Party to secure the payment and performance of all of the Obligations (as hereinafter defined).

NOW THEREFORE, in consideration of the foregoing and other benefits accruing to each Grantor, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. *Definition of Certain Terms Used Herein*. Capitalized terms used in this Agreement and not otherwise defined have the meanings given to them in the Financing Agreement and such terms and meanings shall be incorporated by reference herein from the Financing Agreement. As used herein, the following terms shall have the following meanings:

"Financing Agreement" shall have the meaning assigned to such term in the Recitals of this Agreement.

"Obligations" shall mean any and all obligations (whether or not constituting future advances, obligatory or otherwise) of the Grantors to the Secured Party from time to time arising under or in respect of the Transaction Documents (including, without limitation, the obligations to pay any and all amounts, royalties, indemnities and other payments related to or in respect of the obligations contained in the Transaction Documents), in each case whether (i) such obligations are direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due whether at stated maturity, by acceleration or otherwise, (ii) arising in the regular course of business or otherwise, (iii) for payment or performance or (iv) now existing or hereafter arising (including, without limitation, interest and other obligations arising or accruing after the commencement of any bankruptcy, insolvency, reorganization or similar proceeding with respect to any Grantor or any other Person, or which would have arisen or accrued but for the commencement of such proceeding, even if such obligation or the claim therefor is not enforceable or allowable in such proceeding).

"Operative Agreement" shall mean in the case of any corporation, any charter or certificate of incorporation and by-laws thereof.

"Party" means any Grantor and the Secured Party.

"Requirements of Law" shall mean, collectively, any and all requirements of any Governmental Authority including, without limitation, any and all laws, rules, regulations, or similar statutes or case law.

"Security Interest" shall have the meaning assigned to such term in Section 2.01(a).

"UK Subsidiary" means Cell Therapeutics (UK) Limited, a company formed under the laws of the United Kingdom.

SECTION 1.02. *Rules of Construction*. The rules of interpretation specified in Section 10.11 of the Financing Agreement shall be applicable to this Agreement.

SECTION 1.03. *Resolution of Drafting Ambiguities* Each Grantor acknowledges and agrees that it was represented by counsel in connection with the execution and delivery hereof, that it and its counsel reviewed and participated in the preparation and negotiation hereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party (i.e., the Secured Party) shall not be employed in the interpretation hereof.

ARTICLE II

Security Interest

SECTION 2.01. *Security Interest*. (a) As security for the punctual and complete payment and performance in full of the Obligations, each Grantor hereby grants to the Secured Party a security interest of first priority in and lien on, and pledges and hypothecates, all of such Grantor' s right, title and interest in, to and under the Collateral. The security interest granted hereunder to secure the Obligations is referred to herein as the "Security Interest".

(b) Without limiting the foregoing, the Secured Party is hereby authorized to file one or more financing statements, continuation statements, filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country within the Territory) or other documents for the purpose of perfecting or continuing the Security Interest granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Secured Party as secured party, or otherwise describing the transactions contemplated by this Agreement; provided, that, so long as no Event of Default has occurred and is continuing, the Secured Party shall provide copies of all such documents to the Debtor a reasonable time in advance of any such filing (and, in the event that an Event of Default shall have occurred and be continuing, such copy shall be provided to the Debtor substantially concurrently with the filing thereof); provided, further, that the failure by the Secured Party to provide such copies shall not affect the validity of any such filing.

(c) (i) The Debtor shall deliver to the Secured Party certificates which represent all the Pledged Securities. All certificates delivered pursuant to this Section 2.01(c) shall be accompanied by stock powers duly executed in blank. In the event that it is not practicable for the Debtor to deliver such certificates on the date of this Agreement, the Debtor shall deliver such certificates as soon as practicable but in no event later than (i) with respect to the Pledged Securities of the Subsidiary Grantor, January 7, 2005 and (ii) with respect to the Pledged Securities of UK Subsidiary, January 14, 2005.

(ii) Prior to the occurrence of an Event of Default:

(1) all dividends and other amounts due as a result of record ownership of the Pledged Securities shall be paid to the Debtor; and

(2) to the extent permitted by applicable law, the Debtor shall have the right to vote the Pledged Securities.

(iii) While an Event of Default has occurred and is continuing, in addition to the remedies set forth in Article V:

(1) all dividends paid on such Pledged Securities, regardless of when such dividends were declared, and all distributions from such Pledged Securities shall form part of the Collateral and, if received by the Debtor, shall be paid to the Secured Party; and

(2) the Secured Party shall be entitled to vote or not to vote such Pledged Securities received by the Secured Party as the Secured Party sees fit.

(iv) In the event that, during the term of this Agreement, the Debtor acquires additional capital stock of the Subsidiary Guarantor or of the UK Subsidiary, or any stock split, share dividend, reclassification, readjustment or other change is declared or made in the capital structure of the Subsidiary Guarantor or of the UK Subsidiary, subject to the limitations set forth in the definition of Collateral, all new, substituted and additional shares, or other securities, acquired, or issued in connection with the Pledged Securities by reason of such change, shall be delivered to and held by the Secured Party, together with stock powers duly executed in blank, under the terms of this Agreement in the same manner as the Pledged Securities originally pledged hereunder, all of which shall be deemed to be Pledged Securities as defined in this Agreement.

SECTION 2.02. *No Assumption of Liability*. The Security Interest is granted as security only and shall not subject the Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

ARTICLE III

Representations and Warranties

The Grantors jointly and severally represent and warrant to the Secured Party that:

SECTION 3.01. *Title and Authority*. (a) Each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest hereunder and has full power and authority to grant to the Secured Party the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval which has been obtained. Schedule I, attached hereto and made a part hereof, sets forth as of the date hereof all contracts, licenses or other agreements under which a Grantor has licensed (i) from another party Patents which constitute Collateral (each, a "Third Party Agreement" and collectively, the "Third Party Agreements"), and sets forth the Patents that are covered by each such agreement (collectively, the "Third Party Patents") and (ii) to another party Patents which constitute Collateral, and sets forth the Patents that are covered by each such agreement. Schedules II and V, each attached hereto and made a part hereof, set forth each of the Patents and Trademarks owned by the Grantors constituting Collateral as of the date hereof. Schedule III, attached hereto and made a part hereof, sets forth all the Pledged Securities as of the date hereof. Schedule IV, attached hereto and made a part hereof, sets forth all the Product Registrations of the Grantors constituting Collateral as of the date hereof.

(b) Each of the contracts, licenses or other agreements set forth on Schedule I is in full force and effect in all material respects and each of the Grantors has in all material respects performed all its respective obligations required to be performed by such Grantor under such agreements, has received no notice of default with respect thereto and, to each of their knowledge, no Grantor nor any other party to such agreements is in default under such agreements in any material respect.

SECTION 3.02. *Filings*. (a) Fully completed UCC financing statements or other appropriate filings, recordings or registrations containing a description of the Collateral have been filed, or delivered to the Secured Party for filing, in each governmental, municipal or other office in which such filings are necessary to perfect the Security Interest for the benefit of the Secured Party in respect of all Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements and as set forth in clause (b) below.

(b) Fully executed notices of security interests containing a description of all Collateral consisting of Patents and Trademarks registered with the United States Patent and Trademark Office have been delivered to the Secured Party for filing, registration or recordation, as applicable, with the United States Patent and Trademark Office pursuant to 35 U.S.C. § 261 or 15 U.S.C. § 1060 and the regulations thereunder, as applicable, in order to protect the validity of and to establish a legal, valid and perfected security interest in favor of the Secured Party in respect of all Collateral consisting of Patents and Trademarks in which a security interest may be perfected by such filing, recording or registering in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, prerecording, registering or preregistering is necessary (other than the filing of UCC financing statements as described in clause (a) above, UCC continuation statement or such actions as are necessary to perfect the Security Interest with respect to any Collateral consisting of Copyrights, Patents and Trademarks (or registration or application for registration thereof) acquired or developed after the date hereof).

SECTION 3.03. *Validity of Security Interest*. The Security Interest constitutes (a) a legal and valid security interest in all the Collateral securing the payment and performance of the Obligations, (b) subject to the filings described in Section 3.02 above, a perfected security interest in all Collateral in which a security interest may be perfected by filing, recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC or other applicable law in such jurisdictions, (c) a security interest that shall be perfected in all Collateral in which a security interest may be perfected upon the receipt and registering or recording of an appropriate notice of security interest with the United States Patent and Trademark Office, as applicable, and (d) a perfected security interest in all Collateral in which a security interest may be perfected by possession or control by the Secured Party, in each case, to the extent required pursuant to the provisions hereof. The Security Interest is and shall be prior to any other Lien on any of the Collateral.

SECTION 3.04. *Limitations on and Absence of Other Liens*. Except for Permitted Liens, the Collateral is owned by the Grantors free and clear of any Lien. The Grantors have not filed or consented to the filing of (a) any financing statement or analogous document under the

UCC or any other applicable laws covering any Collateral, (b) any assignment in which any Grantor assigns any Collateral or makes any security agreement or similar instrument covering any Collateral with the United States Patent and Trademark Office or (c) any assignment in which any Grantor assigns any Collateral or makes any security agreement or similar instrument covering any Collateral with any foreign governmental, municipal or other office within the Territory, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect.

SECTION 3.05. *Chief Executive Office; Change of Name; Jurisdiction of Organization*. As of the date hereof, the exact legal name, type of organization, jurisdiction of organization, organizational identification number and chief executive office of each Grantor is indicated next to its name in Schedule 3.05 attached hereto and part a made hereof.

SECTION 3.06. *Corporate Names; Prior Transactions*. No Grantor has, during the past five (5) years, been known by or used any other corporate or fictitious name or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any Person, or acquired any of its property or assets out of the ordinary course of business, except as set forth in Schedule 3.06 attached hereto and made a part hereof.

SECTION 3.07. *No Conflicts, Consents, etc.* Neither the execution and delivery hereof by each Grantor nor the consummation of the transactions herein contemplated nor the fulfillment of the terms hereof (i) violates any Operative Agreement of such Grantor, (ii) violates the terms of any material agreement, contract, indenture, mortgage, deed of trust, lease, license, instrument or other document to which such Grantor is a party and which is material to such Grantor, or by which it is bound or to which any of its properties or assets are subject, (iii) conflicts with any material Requirement of Law applicable to any such Grantor or its property or assets, or (iv) results in or requires the creation or imposition of any Lien upon or with respect to any of the property or assets now owned or hereafter acquired by such Grantor other than the Security Interest. No consent of any party (including, without limitation, equityholders or creditors of such Grantor) and no consent, authorization, approval, license or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or other Person is required for the grant of a security interest in or pledge by such Grantor of the Collateral pledged by it pursuant to this Agreement or for the execution, delivery or performance hereof by such Grantor other than as specified in Section 3.02 or those that have been made or obtained. In the event that the Secured Party desires to exercise any remedies, consensual rights or attorney-in-fact powers set forth in this Agreement and determines it necessary to obtain any approvals or consents of any Governmental Authority or any other Person therefor, then, upon the reasonable request of the Secured Party, such Grantor agrees to use its best efforts to assist and aid the Secured Party to obtain as soon as practicable any necessary approvals or consents for the exercise of any such remedies, rights and powers.

SECTION 3.08. *No Infringement.* To each Grantor' s knowledge, on and as of the date hereof, (i) there is no infringement, misappropriation or violation by others of any right of such Grantor with respect to any Intellectual Property pledged by such Grantor, (ii) such Grantor' s manufacture, use, sale, offer for sale or importation of the Product in the Territory is not infringing

upon, misappropriating, or violating any Intellectual Property of any other Person, and (iii) no proceedings have been instituted or are pending against such Grantor or, to such Grantor' s knowledge, threatened, and no claim against such Grantor has been received by such Grantor, alleging any such infringement, misappropriation or violation.

The Debtor represents and warrants to the Secured Party that:

SECTION 3.09. *Pledged Securities*. (a) As of the date hereof, the Pledged Securities set forth on Schedule III represent all of the issued and outstanding shares of the capital stock of the Subsidiary Guarantor and 65% of the issued and outstanding shares of the capital stock of the UK Subsidiary;

(b) The Debtor (i) is and will at all times continue to be the direct owner, beneficially and of record, of the Pledged Securities, (ii) holds the same free and clear of all Liens, and (iii) has made and will make no assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Pledged Securities, other than pursuant hereto; and

(c) The Debtor (i) has the power and authority to pledge the Pledged Securities in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Agreement), however arising, of all Persons whomsoever.

ARTICLE IV

Covenants

SECTION 4.01. *Change of Name; Location of Collateral; Records; Place of Business*. Each Grantor agrees promptly to notify the Secured Party in writing of any change in (i) its corporate name, (ii) the location of its chief executive office or its principal place of business, or (iii) its organizational identification number. Each Grantor agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made (or will be made within one (1) business day of such change) under the UCC or otherwise that are required in order for the Secured Party to continue at all times following such change to have a valid, legal and perfected first priority security interest in all the Collateral subject to no Liens. The Debtor agrees promptly to notify the Secured Party if any material portion of the Collateral owned or held by the Grantors is damaged or destroyed.

SECTION 4.02. *Protection of Security*. Each Grantor shall, at its own cost and expense, take any and all actions necessary to defend title to the Collateral against all Persons and to defend the Security Interest of the Secured Party in the Collateral and the priority thereof against any Lien.

SECTION 4.03. *Further Assurances*. Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents

and take all such actions as the Secured Party may from time to time reasonably request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any filing or other similar fees required in connection with the performance of this Agreement, the granting of the Security Interest and the filing of any financing statements or other documents in connection herewith or therewith. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be promptly pledged and delivered to the Secured Party, duly endorsed in a manner satisfactory to the Secured Party.

SECTION 4.04. *Inspection and Verification*. The Secured Party and such Persons as the Secured Party may reasonably designate shall have the right, at all reasonable times and upon reasonable notice under the circumstances, to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, to discuss the Grantors' affairs with the officers of the Grantors and their independent accountants and to verify under reasonable procedures, the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral. Notwithstanding anything to the contrary in this Section 4.04, no Grantor shall be required to disclose, permit the inspection, examination, copying or discussion of, any document, information or other matter that (i) in respect of which disclosure to the Secured Party or its representative is then prohibited by law or any agreement binding on such Grantor or any of its subsidiaries or (ii) is subject to attorney-client or similar privilege or constitutes attorney work product.

SECTION 4.05. *Taxes; Encumbrances*. At its option, the Secured Party may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation of the Collateral to the extent any Grantor fails to do so as required by this Agreement, and each Grantor jointly and severally agrees to reimburse the Secured Party on demand for any payment made or any expense incurred by the Secured Party pursuant to the foregoing authorization; provided, however, that nothing in this Section 4.05 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Secured Party to cure or perform, any covenants or other promises of such Grantor with respect to taxes, assessments, charges, fees, liens, security interests or other encumbrances and maintenance as set forth herein or in the other Transaction Documents.

SECTION 4.06. *Continuing Obligations of the Grantors*. Each Grantor shall observe and perform in all material respects all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Secured Party from and against any and all liability for such performance.

SECTION 4.07. *No Other Liens*. Except for Permitted Liens, none of the Grantors shall make or permit to be made an assignment for security, pledge or hypothecation of the Collateral or shall grant any other Lien in respect of the Collateral other than the Security Interest securing the Obligations.

SECTION 4.08. *Insurance*. Each Grantor shall maintain insurance of the types and in the amounts that such Grantor reasonably believes is adequate for its business against such risks customarily insured against by similarly situated companies, including with respect to the Collateral.

SECTION 4.09. *Certain Covenants and Provisions Regarding Patent and Trademark Collateral*. (a) Each Grantor agrees that it will not do any act, or omit to do any act, whereby any Patent constituting Collateral which is material to the conduct of such Grantor' s business may become invalidated or dedicated to the public, and agrees that it shall continue to mark any products covered by any such Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws.

(b) Each Grantor will, for each Trademark constituting Collateral which is material to the conduct of such Grantor' s business, use its commercially reasonable efforts to (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark, (iii) display such Trademark with notice of Federal or foreign registration to the extent necessary and sufficient to establish and preserve its rights under applicable law and (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party rights.

(c) Each Grantor shall notify the Secured Party as soon as practicable if it knows or has reason to know that any Patent or Trademark constituting Collateral which is material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or similar office of any country within the Territory) regarding such Grantor' s ownership of any such Patent or Trademark, its right to register the same, or to keep and maintain the same.

(d) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for any Patent or Trademark (or for the registration of any Trademark) constituting Collateral with the United States Patent and Trademark Office or any office or agency in any political subdivision of the United States or in any other country within the Territory or any political subdivision thereof, unless it promptly informs the Secured Party after such filing and, upon request of the Secured Party, executes and delivers any and all agreements, instruments, documents and papers as the Secured Party may reasonably request to evidence the Secured Party' s security interest in such Patent or Trademark or application therefor, and each Grantor hereby appoints the Secured Party as its attorney-in-fact to execute and file such writings solely for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable while this Agreement is in effect.

(e) Each Grantor will take all necessary steps that are consistent with its reasonable business judgment and the practice in any proceeding before the United States Patent and Trademark Office or any office or agency in any political subdivision of the United States or in any other country within the Territory or any political subdivision thereof, to maintain and pursue

each material application relating to the Patents or Trademarks constituting Collateral (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of Trademarks constituting Collateral that is material to the conduct of any Grantor' s business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties.

(f) In the event that any Grantor has reason to believe that any Collateral consisting of a Patent or Trademark has been infringed, misappropriated or diluted by a third party in any material respect, such Grantor promptly shall notify the Secured Party and shall, if consistent with such Grantor' s reasonable business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral.

SECTION 4.10. *Limitation on Transfer of Pledged Securities.* The Subsidiary Guarantor agrees that it will not permit a transfer on the Subsidiary Guarantor' s books and records of any shares of the Pledged Securities without first obtaining the Secured Party' s written consent to such transfer.

SECTION 4.11. *Limitation on Encumbrance of Product Registration.* The Debtor shall not, nor shall it permit the UK Subsidiary to, grant or permit to exist any Lien (other than Permitted Liens) on the Product Registration No. MAA: EU/1/02/204/001 held by the UK Subsidiary.

ARTICLE V

Remedies

SECTION 5.01. *Remedies upon Default*. Upon the occurrence and during the continuance of an Event of Default, it is agreed that the Secured Party shall have the right to exercise any and all rights afforded to a secured party under the UCC or other applicable law and to take any of or all the following actions at the same or different times: (a) with respect to any Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Secured Party, or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or nonexclusive basis, any such Collateral throughout the Territory on such terms and conditions and in such manner as the Secured Party shall determine (other than in violation of any then existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral and each Grantor agrees to deliver each item of Collateral to the Secured Party on demand. Without limiting the generality of the foregoing, each Grantor agrees that the Secured Party shall have the right, subject to the requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale, as the Secured Party

shall deem appropriate. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section, the Secured Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by applicable law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any Obligation then due and payable to the Secured Party from any Grantor as a credit against the purchase price, and the Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Secured Party shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Secured Party shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full; provided that the Secured Party shall deliver to the Grantors any monies or Proceeds it receives, from the Grantors or otherwise, on account of the Obligations in excess of such amount required to pay in full the Obligations. As an alternative to exercising the power of sale herein conferred upon it, the Secured Party may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 5.02. *Grant of License to Use Intellectual Property*. For the purpose of enabling the Secured Party to exercise rights and remedies under this Article at such time as the Secured Party shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sublicense any of the Collateral now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, in each case subject to the terms and conditions and to the extent allowable under any agreement with a third party pursuant to which such Collateral was initially licensed. For clarity, while an Event of Default exists and to the extent necessary to satisfy the Obligations, the Grantors hereby grant to the Secured Party, a sublicense under all of Grantor' s interest in the Third Party Patents (and any and all associated Intellectual Property), to the extent allowed pursuant the Third Party Agreements and subject to the terms and conditions therein, solely as required for the manufacture, sale, offer for sale, use or importation of Products in the Territory. The use of such license by the Secured Party shall be exercised, at the option of the Secured Party, upon the occurrence and during the continuation of an Event of Default; provided that any

license, sublicense or other transaction entered into by the Secured Party in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default. Notwithstanding the foregoing, the Secured Party hereby covenants and agrees only to exercise the rights set forth in this Section 5.02 above solely in the event of an ongoing Event of Default and to the extent necessary for the manufacture, sale, offer for sale, use or importation of Products in the Territory as required satisfy the Obligations.

SECTION 5.03. *Secured Party Appointed Attorney-in-Fact*. Each Grantor hereby appoints the Secured Party the attorney-in-fact of such Grantor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest while this Agreement is in effect.

ARTICLE VI

Miscellaneous

SECTION 6.01. *Notices*. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 10.6 of the Financing Agreement.

SECTION 6.02. *Security Interest Absolute*. All rights of the Secured Party hereunder, the Security Interest, and all obligations of the Grantors hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of any other Transaction Document, any agreement with respect to any of the Obligations, or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any other Transaction Document or any other agreement or instrument, (c) any exchange, release or nonperfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guaranty, securing or guarantying all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or this Agreement.

SECTION 6.03. *Survival of Agreement*. All covenants, agreements, representations and warranties made by any Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or the Financing Agreement shall be considered to have been relied upon by the Secured Party and shall survive the payment of any amounts or supply of any services by the Secured Party to the Grantors, regardless of any investigation made by the Secured Party or on its behalf, and shall continue in full force and effect until this Agreement shall terminate.

SECTION 6.04. *Binding Effect*. This Agreement shall become effective as to each Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Secured Party and a counterpart hereof shall have been executed on behalf of the Secured

Party, and thereafter shall be binding upon such Grantor and the Secured Party and their respective successors and assigns, and shall inure to the benefit of such Grantor and the Secured Party and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer any of its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be null and void) except as expressly permitted by the Financing Agreement.

SECTION 6.05. *Successors and Assigns*. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Secured Party that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns, except as specified in Section 6.04.

SECTION 6.06. *Governing Law.* This Agreement shall be subject to the laws of the State of Washington, as applied to agreements executed and performed entirely in Washington, without regard to conflicts of law rules.

SECTION 6.07. *Waivers; Amendment; Several Agreement*. (a) No failure or delay of the Secured Party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Secured Party hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Transaction Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Grantor in any case shall entitle such Grantor or any other Grantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Secured Party and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply.

(c) This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 6.08. *Dispute Resolution.* (a) Any dispute, controversy or claim arising under, out of or in connection with this Agreement, including any subsequent amendments, or the validity, enforceability, construction, performance or breach hereof shall be first be submitted to the chief executive officers (or a senior executive direct report) of Debtor and Secured Party for attempted resolution. In such case, the chief executive officers (or their designees) shall meet as soon as practicable, as reasonably requested by either Party to discuss such dispute.

(b) If any dispute is not resolved within thirty (30) days after submission of such dispute for resolution under Section 6.08(a), either Party may at any time thereafter provide the other Party written notice specifying such dispute in reasonable detail and notifying the other Party of its decision to institute arbitration proceedings pursuant to this Section 6.08(b). In such case such dispute shall be finally settled under the rules set forth in the Commercial Dispute Resolution Procedures of the Arbitration of American Arbitration Association (the "Rules") then in force on the date of commencement of the arbitration by three (3) arbitrators appointed in accordance with those Rules; provided however if the Parties mutually agree, such arbitration may be conducted by a single mutually agreeable arbitrator. The award rendered shall be final and binding on the Parties. Judgment upon the award may be entered in any court having jurisdiction. The place of arbitration shall be in San Francisco, California. The law of the State of Washington shall be applied as set forth in Section 6.06. The costs of any arbitration, including administrative fees and fees of the arbitrators, shall be shared equally by the Parties, unless otherwise specified by the arbitrators. Each Party shall bear the cost of its own attorneys' and expert fees; provided that the arbitrators may in their discretion award to the prevailing Party the costs and expenses incurred by the prevailing Party in connection with the arbitration proceeding.

SECTION 6.09. *Severability*. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions to be replaced thereby. It is understood and agreed among the parties that this Agreement shall create separate security interests in the Collateral securing the Obligations as provided in Section 2.01, and that any determination by any court with jurisdiction that the security interest securing any Obligation is invalid for any reason shall not in and of itself invalidate the Security Interest securing any other Obligations hereunder.

SECTION 6.10. *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute a single contract and shall become effective as provided in Section 6.04. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 6.11. *Headings*. Article and Section headings used herein are for the purpose of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 6.12. *Termination*. This Agreement and the Security Interest (i) shall terminate when all the Obligations have been indefeasibly satisfied in full (at which time the Secured Party shall return the Pledged Securities to the Debtor and shall execute and deliver to the Grantors, at the Grantors' expense, all UCC termination statements and similar documents which the Grantors shall reasonably request to evidence such termination) and (ii) shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment in respect of any Obligation is rescinded or must otherwise be restored by the Secured Party upon any bankruptcy or reorganization of any Grantor or otherwise. Any execution and delivery of termination statements or documents pursuant to this Section 6.12 shall be without recourse to or warranty by the Secured Party.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

CELL THERAPEUTICS, INC.

By: /s/ James Bianco

Name: James Bianco

Title: President & CEO

POLARX BIOPHARMACEUTICALS, INC.

By: /s/ James Bianco

Name: James Bianco

Title: President

PHARMABIO DEVELOPMENT INC.

By: /s/ William O. Robb

Name: William O. Robb

Title: Vice President

SCHEDULE I

CONTRACT RIGHTS

Cell Therapeutics, Inc.

1. Agreements under which Patents are licensed from another party:

Cross-License Agreement, entered into as of December 13, 2002, by and between Cell Therapeutics, Inc. and CTI Technology, Inc.

Patents covered:

Patents constituting Collateral

Sublicense Agreement, entered into as of December 13, 2002, by and between Cell Therapeutics, Inc. and PolaRx Biopharmaceuticals, Inc.

Patents covered:

Patents under the SKI Agreement

2. Agreements under which Patents are licensed to another party:

Cross-License Agreement, entered into as of December 13, 2002, by and between Cell Therapeutics, Inc. and CTI Technology, Inc.

Patents covered:

Patents constituting Collateral

PolaRx Biopharmaceuticals, Inc.

1. Agreements under which Patents are licensed from another party:

License Agreement, effective as of May 24, 1999, by and between Samuel Waxman Cancer Research Foundation and PolaRx Biopharmaceuticals, Inc.

Patents covered:

U.S. Patent No. 6,720,011

USSN 10/715,166 Filed November 17, 2003

Exclusive License Agreement, effective as of February 9, 1998, by and between Sloan-Kettering Institute for Cancer Research and PolaRx Biopharmaceuticals, Inc.

Patents covered:

U.S. Patent No. 6,723,351

U.S. Patent No. 6,770,304

U.S. Patent Publication No. 20040157182

U.S. Patent Publication No. 20040146583

U.S. Patent Publication No. 20040146582

U.S. Patent Publication No. 20040146581

U.S. Patent Publication No. 20040146580

U.S. Patent Publication No. 20040146579

U.S. Patent Publication No. 20040146578

U.S. Patent Publication No. 20040146577

U.S. Patent Publication No. 20040146576

U.S. Patent Publication No. 20040146575

U.S. Patent Publication No. 20040146574

U.S. Patent Publication No. 20040146573

U.S. Patent Publication No. 20040146572

U.S. Patent Publication No. 20040146571

U.S. Patent Publication No. 20040146570

U.S. Patent Publication No. 20040146569

U.S. Patent Publication No. 20040146568

European Patent Application Publication No. EP01037625A1

2. Agreements under which Patents are licensed to another party:

Sublicense Agreement, entered into as of December 13, 2002, by and between Cell Therapeutics, Inc. and PolaRx Biopharmaceucticals, Inc.

Patents covered:

Patents under the SKI Agreement

SCHEDULE II

PATENTS

UNITED STATES PATENTS GRANTED:

None.

UNITED STATES PATENT APPLICATIONS:

COUNTRY	OWNER	TITLE	APP. NO.	APP. DATE	STATUS
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/789,628	2/27/2004	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/698,625	11/3/2003	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/776,504	2/12/2004	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/789,604	2/27/2004	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/640,403	8/14/2003	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/640,399	8/14/2003	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/649,944	8/28/2003	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	10/649,776	8/28/2003	Filed
U.S.	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	09/173,531	10/15/1998	Filed

FOREIGN PATENTS GRANTED (WITHIN THE TERRITORY):

COUNTRY	OWNER	TITLE	APP. NO.	APP. DATE	STATUS
Turkey	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	2000/1959	10/15/1998	Granted - Patent No. TR 2000 01959B

FOREIGN PATENT APPLICATIONS (WITHIN THE TERRITORY):

COUNTRY	OWNER	TITLE	APP. NO.	APP. DATE	STATUS
European Patent Convention	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	98953552.1	10/15/1998	Filed
European Patent Convention	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	03029713.9	10/15/1998	Filed
European Patent Convention	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	04007847.9	10/15/1998	Filed
European Patent Convention	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	03019594.5	10/15/1998	Filed
European Patent Convention	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	03019595.2	10/15/1998	Filed
European Patent Convention	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	03019629.9	10/15/1998	Filed
European Patent Convention	PolaRx Biopharmaceuticals, Inc.	COMPOSITIONS AND METHODS FOR THE TREATMENT OF PRIMARY AND METASTATIC NEOPLASTIC DISEASES USING ARSENIC COMPOUNDS	03019628.1	10/15/1998	Filed

SCHEDULE III

PLEDGED SECURITIES

Guarantor Subsidiary

All shares of capital stock, par value $0.001 per share, of PolaRx Biopharmaceuticals, Inc., all of which are owned by Cell Therapeutics, Inc.

UK Subsidiary

65% of shares of capital stock, par value £1 per share, of Cell Therapeutics (UK) Limited, all of which are owned by Cell Therapeutics, Inc.

SCHEDULE IV

PRODUCT REGISTRATIONS

Cell Therapeutics, Inc.

IND: 55,291 IND Filed 5 Feb 98

Owner: Cell Therapeutics, Inc. (CTI)

NDA: 21-248 Approved for marketing 25 Sep 00

Owner: Cell Therapeutics, Inc. (CTI)

PolaRx Biopharmaceuticals, Inc.

None.

SCHEDULE V

TRADEMARKS

UNITED STATES TRADEMARK REGISTRATIONS:

COUNTRY	OWNER	MARK	APP. NO.	APP. DATE	REG. NO.	REG. DATE	STATUS
U.S.	Cell Therapeutics, Inc.	TRISENOX	76/033,973	4/26/2000	2,509,161	11/20/2001	Registered

UNITED STATES TRADEMARK APPLICATIONS:

None.

FOREIGN TRADEMARK REGISTRATIONS (WITHIN THE TERRITORY):

COUNTRY	OWNER	MARK	APP. NO.	APP. DATE	REG. NO.	REG. DATE	STATUS
Community Trademark	Cell Therapeutics, Inc.	TRISENOX	1,921,550	10/25/2000	1,921,550	5/13/2002	Registered
Community Trademark	Cell Therapeutics, Inc.	TRISENOX (and design)	2,435,956	11/2/2001	2,435,956	11/2/2001	Registered
Iceland	Cell Therapeutics, Inc.	TRISENOX	3663	4/26/2000	250/2001	3/1/2001	Registered
Norway	Cell Therapeutics, Inc.	TRISENOX	2000-12494	10/16/2000	208,876	6/7/2001	Registered
Switzerland	Cell Therapeutics, Inc.	TRISENOX	12775/2000	10/25/2000	484030	4/25/2001	Registered

FOREIGN TRADEMARK APPLICATIONS (WITHIN THE TERRITORY):

COUNTRY	OWNER	MARK	APP. NO.	APP. DATE	STATUS
Croatia	Cell Therapeutics, Inc.	TRISENOX	TBD	6/21/2004	Cell Therapeutics, Inc.

SCHEDULE 3.05

NAME, LOCATION, ETC.

Cell Therapeutics, Inc.

Legal Name: Cell Therapeutics, Inc.
Type of Organization: Corporation
Jurisdiction of Organization: Washington
Organizational Identification Number: 601339038
Chief Executive Office: 501 Elliott Avenue West, Suite 400, Seattle, WA 98119

PolaRx Biopharmaceuticals, Inc.

Legal Name: PolaRx Biopharmaceuticals, Inc.
Type of Organization: Corporation
Jurisdiction of Organization: Delaware
Organizational Identification Number: 2720482
Chief Executive Office: 501 Elliott Avenue West, Suite 400, Seattle, WA 98119

SCHEDULE 3.06

PRIOR NAMES

Cell Therapeutics, Inc.

None.

PolaRx Biopharmaceuticals, Inc.

None.

Exhibit 10.4

CELL THERAPEUTICS, INC.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made as of the 21st day of December, 2004, by and between Cell Therapeutics, Inc., a Washington corporation (the "Company"), and the investor set forth on the signature page hereto ("Investor").

RECITALS:

The Company and the Investor have entered into that certain Financing Agreement (the "Financing Agreement") of even date herewith pursuant to which the Company may issue shares of common stock, no par value per share (the "Common Stock") to the Investor in partial fulfillment of the Company' s obligations under Section 8.5 of the Financing Agreement and on the terms and conditions set forth therein. In connection with the Financing Agreement, the Company has agreed to enter into this Agreement with the Investor in order to provide the Investor with certain rights to register the shares that may become issuable under Section 8.5 of the Financing Agreement (the "Shares").

AGREEMENT

The parties hereby agree as follows:

1. *Definitions.* Capitalized terms used herein, but not otherwise defined, shall have the meaning ascribed to such terms in the Financing Agreement. As used in this Agreement, the following defined terms shall have the following meanings:

(a) "Commission" means the United States Securities and Exchange Commission, or any other federal agency at the time administering the Exchange Act or the Securities Act, whichever is the relevant statute for the particular purpose.

(b) "Effectiveness Period" has the meaning assigned thereto in Section 2.1(b)(i) hereof.

(c) "Effective Time" means the date on which the Commission declares the Registration Statement effective or on which the Registration Statement otherwise becomes effective.

(d) "Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

(e) The term "holder" means the record holder of such Common Stock.

(f) "Prospectus" means the prospectus (including, without limitation, any preliminary prospectus, any final prospectus and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act) included in the Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by the Company under the Exchange Act and incorporated by reference therein.

(g) The term "Registrable Securities" means (i) the Shares, and (ii) any other shares of Common Stock of the Company issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, the Shares; provided, however, that the foregoing definition shall exclude in all cases any Registrable Securities sold by a person in a transaction in which his or her rights under this Agreement are not assigned. Notwithstanding the foregoing, Common Stock or other securities shall only be treated as Registrable Securities if and so long as they have not been (A) sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, or (B) sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale;

(h) The term "Registration Statement" has the meaning set forth in Section 2.1(a).

(i) The term "SEC" means the Securities and Exchange Commission.

(j) The term "Shelf Registration Statement" means a "shelf" registration statement filed under the Securities Act providing for the registration of, and the sale on a continuous or delayed basis by the holders of, all of the Registrable Securities pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the Commission, filed by the Company pursuant to the provisions of Section 2.1 of this Agreement, including the Prospectus contained therein, any amendments and supplements to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement.

2. Registration Rights. The Company and the Investor covenant and agree as follows:

2.1 *Required Registration*.

(a) Unless otherwise instructed in writing by the Investor, the Company shall, on or prior to 45 calendar days after the issuance of the Shares (as defined in the Financing Agreement), file with the Commission a Shelf Registration Statement (except if the Company is not then eligible to use Form S-3, in which case such registration statement shall be on another appropriate form) (the "Registration Statement") relating to the offer and sale of the Registrable Securities and, thereafter,

shall use its commercially reasonable efforts to cause such Registration Statement to be declared effective under the Securities Act as soon as practicable and in any event on or prior to 135 calendar days after the issuance of the Shares; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.1 (1) if the Company shall furnish to the Investor a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be effected at such time because the filing thereof would require premature disclosure of a potential transaction or transactions (a "Potential Transaction"), in which event the Company shall have the right to defer the filing of such registration statement for a period of not more than 60 days; provided, however, that the Company shall not utilize this right more than once in any 270 day period; or (2) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance. Subject to any modifications that are responsive to comments, rules or regulations of the SEC, the Registration Statement will include a customary plan of distribution.

(b) The Company shall use its reasonable best efforts to:

(i) keep the Registration Statement continuously effective in order to permit the Prospectus to be usable by the Investor for resales of Registrable Securities until the earlier of (A) the sale under the Registration Statement of all the Registrable Securities registered thereunder, and (B) the expiration of the holding period applicable to such Registrable Securities held by persons that are not affiliates of the Company under Rule 144(k) of the Securities Act or any successor previously subject to specific permitted exceptions (such period being referred to herein as the "Effectiveness Period");

(ii) promptly prepare and file with the SEC such amendments and supplements to the Registration Statement and the Prospectus as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement;

(iii) register and qualify the Registrable Securities covered by such Registration Statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Investor, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(iv) furnish to the Investor such number of copies of Prospectuses and such other documents as the Investor from time to time may reasonably request in order to facilitate the disposition of Registrable Securities owned by the Investor;

(v) notify the Investor of Registrable Securities covered by such Registration Statement at any time when a Prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(vi) cause all such Registrable Securities registered pursuant to Section 2.1 to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(vii) provide Investor' s counsel a copy of such Registration Statement, prior to filing with the SEC, furnish Investor' s counsel a copy of any amendments and supplements concurrently with filing with the SEC and as promptly as practicable provide such counsel with any comment letters or similar notices received by the Company from the SEC with respect thereto; and

(viii) provide a transfer agent and registrar for all Registrable Securities registered hereunder a CUSIP number for all such Registrable Securities, in each case not later than the Effective Time.

2.2 *Restrictions on and Procedure for Sales Pursuant to Registration Statement*; *Delay of Sale.* The Company may suspend the Registration Statement and refuse to permit the Investor to resell any Registrable Securities for a specified period of time; provided, however, that (a) in order to exercise this right, the Company must deliver a certificate in writing to the Investor to the effect that the Registration Statement in its then current form omits discussion of a Potential Transaction or contains an untrue statement of material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (b) in no event shall such delay exceed 60 consecutive days. During any suspension as contemplated by this Section 2.2, the Company will not allow any of its officers or directors to buy or sell shares of the Company' s securities.

2.3 *Information*. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of the Investor that the Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Investor' s Registrable Securities.

2.4 *Registration Expenses.* All expenses incurred in connection with a Registration Statement pursuant to Section 2.1, including (without limitation) all registration, filing, qualification, printers' and accounting fees, and the reasonable fees and disbursements of one counsel for the Investor selected by Investor with the approval of the Company, which approval shall not be unreasonably withheld, and counsel for the Company shall be borne by the Company. The Company shall pay such Investor' s counsel reasonable fees and disbursements within 30 days after receiving the Investor' s written demand therefor, which shall include a copy of any related invoice(s) from Investor' s counsel.

2.5 *Indemnification.* In the event any Registrable Securities are included in a Registration Statement under Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless Investor and each person, if any, who controls Investor within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, including any Prospectus contained therein or any amendments or supplements thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; and the Company will pay to each such Investor or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 2.5(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Investor or controlling person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Investor or controlling person.

(b) To the extent permitted by law, the Investor will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act and any controlling person of any Investor, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by Investor expressly for use in connection with such Registration Statement; and Investor will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 2.5(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 2.5(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Investor, which consent shall not be unreasonably withheld; provided, that in no event shall any indemnity under this subsection 2.5(b) exceed $2,500,000, except in the case of willful fraud by Investor.

(c) Promptly after receipt by an indemnified party under this Section 2.5 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.5, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so

desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.5 but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.5.

(d) If the indemnification provided for in this Section 2.5 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided, that in no event shall any contribution by Investor under this subsection 2.5(d) exceed $2,500,000, except in the case of willful fraud by Investor. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) The obligations of the Company and Investor under this Section 2.5 shall survive the completion of any offering of Registrable Securities in a Registration Statement under this Section 2, and otherwise.

2.6 *Reports under the Securities Exchange Act of 1934*. With a view to making available to the Investor the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Investor to sell securities of the Company to the public without registration or pursuant to a Registration Statement, the Company agrees to use its best commercial efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to Investor, so long as Investor owns any Registrable Securities, forthwith upon request (i) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (ii) such other information as may be reasonably requested in availing any Investor of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

2.7 *Termination of Registration Rights*. (a) With respect to shares of Registrable Securities issued to the Investor, (i) the Investor shall not be entitled to exercise any right provided for in Section 2.1 after such time as Rule 144(k) under the Securities Act is available for the sale of all of such Investor' s shares that were issued, and (ii) the Company shall have no further obligations under Section 2.1 following the Effectiveness Period, and (b) if the Shares are not issued or issuable under the terms of Section 8.6B(1) of the Financing Agreement, and in any event if the Shares have not been issued by March 31, 2006, this Agreement shall become null and void.

3. *Miscellaneous*.

3.1 *Successors and Assigns*. Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any of the Common Stock). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 *Amendments and Waivers*. Any term of this Agreement may be amended or waived only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future holder of all such Registrable Securities, and the Company.

3.3 *Notices*. Unless otherwise provided, any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or by overnight courier or sent by telegram or fax, or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party' s address or fax number as set forth on the signature page hereto or as subsequently modified by written notice, and if to CTI, with a copy to Wilson Sonsini Goodrich & Rosati, Professional Corporation, One Market, Spear Tower, Suite 3300, San Francisco, CA 94118, Tel: (415) 947-2008, Fax: (415) 947-2099, Attn: Michael Kennedy, Esq.

3.4 *Severability*. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

3.5 *Governing Law*. This Agreement and all acts and transactions pursuant hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws.

3.6 *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.7 *Titles and Subtitles*. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

[Signature Page Follows]

The parties have executed this Registration Rights Agreement as of the date first above written.

CELL THERAPEUTICS, INC.

By: /s/ James Bianco

Name: James Bianco

Title: Chief Executive Officer

Address: 501 Elliott Avenue West, Suite 400
Seattle, Washington 98119

INVESTOR: PHARMABIO DEVELOPMENT, INC.

By: /s/ William O. Robb

Name: William O. Robb

Title: Vice President

Address: 4709 Creekstone Drive
Riverbirch Bldg., Suite 200
Durham, NC 27703

Tel: (919) 998-2000

Fax: (919) 998-2090

Soc. Sec. or Tax I.D. _____

Exhibit 99.1

Cell Therapeutics, Inc.
Making cancer more treatable

cti

501 Elliott Ave. W. #400 T 206.282.7100
Seattle, WA 98119 F 206.272.4010

Cell Therapeutics, Inc. and Quintiles PharmaBio Development
Enter into TRISENOX® Financing Agreement

Agreement provides up to $30 million in Cash and Services to CTI
in Return for Royalties on Net Sales of TRISENOX

SEATTLE, Dec. 21, 2004 −Cell Therapeutics, Inc. (CTI) (NASDAQ: CTIC) today announced that it has signed a six year financing and services agreement with PharmaBio Development, the strategic partnering group of Quintiles Transnational, Corp. (Quintiles) involving CTI' s cancer therapy, TRISENOX® (arsenic trioxide).

Under the agreement, PharmaBio Development will provide CTI $25 million in cash and will make available $5 million in clinical services from Quintiles. In return, CTI will pay PharmaBio Development royalties based on a percentage of net sales of TRISENOX in the United States and certain European countries. The agreement also provides PharmaBio Development with a security interest in TRISENOX related to CTI' s royalty payment obligations.

The royalty payments from CTI are subject to certain annual minimum and maximum amounts. The minimum payment obligation of the agreement is $53 million and is derived from current forecasts for TRISENOX over the course of the agreement.

CTI intends to use the majority of the services commitment under the agreement for phase III development work in 2005 on pixantrone, an investigational agent under development for the potential treatment of non-Hodgkin' s lymphoma.

"This agreement enables CTI to monetize a percentage of future cash flows of TRISENOX while maintaining control over the development and commercialization of the product," stated James A. Bianco, M.D., President and CEO of CTI. "We' re pleased to broaden our existing relationship with Quintiles, continuing our efforts to expand the TRISENOX label, and working together to complete the pixantrone pivotal trial in non-Hodgkin' s lymphoma."

Tom Perkins, Senior Vice President of PharmaBio Development commented, "Providing tailored strategic and financial solutions to help our pharma and biotech customers is PharmaBio Development' s mission. This agreement is an excellent example. We' re pleased to have an even stronger partnership with CTI and look forward to seeking out new ways to help further its development and commercialization programs."

About TRISENOX®

TRISENOX® (arsenic trioxide) is marketed by CTI. TRISENOX was approved for marketing in 2000 by the U.S. Food and Drug Administration to treat patients with relapsed or refractory acute promyelocytic leukemia (APL), a rare, life-threatening form of cancer of the blood. TRISENOX was granted marketing authorization from the European Commission in March 2002. APL, one of eight subtypes of acute myeloid leukemia (AML), represents 10-15 percent of the more than 20,000 patients diagnosed with AML each year. TRISENOX is currently being studied in more than 40 clinical and investigator-sponsored trials in a variety of cancers.

U.S. marketing approval for TRISENOX was granted based on results from a U.S. multicenter study in which 40 relapsed APL patients were treated with TRISENOX 0.15 mg/kg until bone marrow remission or a maximum of 60 days. Thirty-four patients (85 percent) achieved complete remission. When the results for these 40 patients were combined with those for the 12 patients in a pilot trial, an overall response rate of 87 percent was observed.

WARNING: TRISENOX should be administered under the supervision of a physician who is experienced in the management of patients with acute leukemia. Some patients with APL treated with TRISENOX have experienced APL differentiation syndrome - with symptoms similar to retinoic acid-acute promyelocytic leukemia (RA-APL) syndrome. Arsenic trioxide can cause QT prolongation (which can lead to torsade de pointes) and complete atrioventricular block.

The most common adverse events associated with TRISENOX have been generally manageable, reversible and usually did not require interruption of therapy. These have included hypokalemia, hypermagnesemia, hyperglycemia and thrombocytopenia as reported in 13 percent of the patients (n=40). Abdominal pain, dyspnea, hypoxia, bone pain and neutropenia were reported in 10 percent of these patients, while arthralgia, febrile neutropenia and disseminated intravascular coagulation were reported in eight percent of patients.

About Pixantrone

Pixantrone (pronounced Pick-san-troan) is an investigational agent under development for the potential treatment of various hematological malignancies, solid tumors, and immunological disorders. It was developed to improve the activity and safety of the anthracycline family of anti-cancer agents. Anthracyclines have been shown to be very active clinically in a number of tumor types. However, they are usually associated with cumulative heart damage that prevents them from being used in a large proportion of patients. Pixantrone has been designed to reduce the potential for these severe cardiotoxicities, as well as to potentially increase activity and simplified administration compared to the currently marketed anthracyclines.

About Quintiles Transnational and PharmaBio Development

PharmaBio Development, the strategic investment group of Quintiles Transnational Corp., is dedicated to providing innovative partnering solutions for pharmaceutical and biotech companies.

Quintiles Transnational helps improve healthcare worldwide by providing a broad range of professional services, information and partnering solutions to the pharmaceutical, biotechnology and healthcare industries. Headquartered near Research Triangle Park, North Carolina, Quintiles has offices in 50 countries and is the world' s leading pharmaceutical services organization. For more information visit the company' s Web site at www.quintiles.com.

Information in this press release contains "forward-looking statements" about Quintiles and its businesses that involve risks and uncertainties that could cause actual results to differ materially.. Additional factors that could cause actual results to differ materially, are discussed in Quintiles' recent filings with the U.S. Securities and Exchange Commission, including but not limited to its annual report on Form 10-K, its quarterly reports on Form 10-Q and its current reports on Form 8-K.

About Cell Therapeutics, Inc.

Headquartered in Seattle, CTI is a biopharmaceutical company committed to developing an integrated portfolio of oncology products aimed at making cancer more treatable. For additional information, please visit www.cticseattle.com.

This press release includes forward-looking statements that involve a number of risks and uncertainties, the outcome of which could materially and/or adversely affect actual future results. Specifically, this includes risks associated with preclinical and clinical developments in the biopharmaceutical industry in general and with TRISENOX in particular including, without limitation, the sales performance of TRISENOX over the next 5 years, the potential failure of TRISENOX to remain safe and effective for treatment of hematological cancers, determinations by regulatory, patent and administrative governmental authorities, competitive factors, technological developments, costs of developing, producing and selling TRISENOX, and the risk factors listed or described from time to time in the Company's filings with the Securities and Exchange Commission including, without limitation, the Company's most recent filings on Forms 10-K, 8-K, and 10-Q. CTI is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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Investors

Cell Therapeutics, Inc.

Leah Grant

T: 206.282.7100 F: 206.272.4434

E: invest@ctiseattle.com

www.cticseattle.com/investors.htm

Media

Cell Therapeutics, Inc.

Susan Callahan

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Exhibit 99.2

Cell Therapeutics, Inc.
Making cancer more treatable

cti

501 Elliott Ave. W. #400 T 206.282.7100
Seattle, WA 98119 F 206.272.4010

Cell Therapeutics, Inc. Completes Registered Direct Offering

SEATTLE, Dec. 22, 2004 –Cell Therapeutics, Inc. (NASDAQ and Nuovo Mercato: CTIC) today announced that it has completed the previously announced sale of approximately 2,586,000 shares of its common stock to several institutional investors at a negotiated price per share of $7.10.

About Cell Therapeutics, Inc.

Headquartered in Seattle, CTI is a biopharmaceutical company committed to developing an integrated portfolio of oncology products aimed at making cancer more treatable. For additional information, please visit www.cticseattle.com.

###

For further information please contact:

Investors

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Leah Grant
T: 206.282.7100 F: 206.272.4434
E: invest@ctiseattle.com
www.cticseattle.com/investors.htm

Cell Therapeutics, Inc. (Europe)
Cesare Parachini
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E: cesare.parachini@ctimilano.com

www.cticseattle.com

Exhibit 99.3

FORM OF SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (the "**Agreement**"), dated as of December __, 2004, by and among Cell Therapeutics, Inc., a Washington corporation, with headquarters located at 501 Elliot Avenue West, Suite 400, Seattle, Washington 98119 (the "**Company**"), and the investors listed on the Schedule of Buyers attached hereto (individually, a "**Buyer**" and collectively, the "**Buyers**").

WHEREAS:

A. The Company and each Buyer desire to enter into this transaction to purchase the Purchased Shares (as defined below) set forth herein pursuant to a currently effective shelf registration statement on Form S-3, which has at least $25,800,000 in unallocated securities registered thereunder (Registration Number 333-112681) (the "**Registration Statement**"), which Registration Statement has been declared effective in accordance with the Securities Act of 1933, as amended (the "**1933 Act**"), by the United States Securities and Exchange Commission (the "**SEC**").

B. Each Buyer wishes to purchase, and the Company wishes to sell, upon the terms and conditions stated in this Agreement, that aggregate number of shares of common stock, no par value, of the Company (the "**Common Stock**"), set forth opposite such Buyer' s name in column (3) on the Schedule of Buyers (which aggregate amount for all Buyers together shall be _____ shares of Common Stock and shall collectively be referred to herein interchangeably as the "**Purchased Shares**" or the "**Securities**").

NOW, THEREFORE, the Company and each Buyer hereby agree as follows:

1. PURCHASE AND SALE OF SECURITIES.

(a) Purchase of Securities.

Subject to the satisfaction (or waiver) of the conditions set forth in Sections 6 and 7 below, the Company shall issue and sell to each Buyer, and each Buyer severally, but not jointly, agrees to purchase from the Company on the Closing Date (as defined below) (i) the number of Purchased Shares as is set forth opposite such Buyer' s name in column (3) on the Schedule of Buyers (the "**Closing**"). The Closing shall occur on the Closing Date at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, One Market, Spear Tower, Suite 3300, San Francisco, California, 94105.

(b) Purchase Price. The purchase price for each Purchased Share to be purchased by each Buyer at the Closing shall be $7.10 (the "**Purchase Price**").

(c) Closing Date. The date and time of the Closing (the "**Closing Date**") shall be 1:00 p.m., New York City Time, on December __, 2004, after notification of satisfaction (or waiver) of the conditions to the Closing set forth in Sections 6 and 7 below (or such later time or date as is mutually agreed to by the Company and each Buyer). As used herein, "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(d) Form of Payment. On the Closing Date, (i) each Buyer shall pay its Purchase Price to the Company for the Purchased Shares to be issued and sold to such Buyer at the Closing, by wire transfer of immediately available funds in accordance with the Company' s written wire instructions, and (ii) the Company shall cause Computershare Investor Services, LLC, the Company' s transfer agent (the "**Transfer Agent**") through the Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, to credit such aggregate number of Purchased Shares that such Buyer is purchasing as is set forth opposite such Buyer' s name in column (3) of the Schedule of Buyers to such Buyer' s or its designee' s balance account with DTC through its Deposit Withdrawal Agent Commission system.

2. REPRESENTATIONS AND WARRANTIES OF EACH BUYER.

Each Buyer represents and warrants with respect to only itself that:

(a) Organization; Authority. Such Buyer is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite power and authority to enter into and to consummate the transactions contemplated by the applicable Transaction Documents (as defined below) and otherwise to carry out its obligations thereunder. The execution, delivery and performance by such Buyer of the transactions contemplated by this Agreement has been duly authorized by all necessary action on the part of such Buyer. This Agreement has been duly executed by such Buyer, and when delivered by such Buyer in accordance with the terms hereof, each will constitute the valid and legally binding obligation of such Buyer, enforceable against it in accordance with its terms, except (a) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (b) as enforceability of any indemnification and contribution provisions may be limited under the federal and state securities laws and public policy, and (c) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) No Conflicts. The execution, delivery and performance by such Buyer of this Agreement and the consummation by such Buyer of the transactions contemplated hereby and thereby will not (i) result in a violation of the organizational documents of such Buyer or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which such Buyer is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to such Buyer, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of such Buyer to perform its obligations hereunder.

(c) Residency. Such Buyer is a resident of that jurisdiction specified below its address on the Schedule of Buyers.

The Company acknowledges and agrees that each Buyer does not make or has not made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in this Section 2.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby makes the following representations and warranties to each Buyer:

(a) Organization and Qualification. Each of the Company and each of its subsidiaries as identified in the SEC Reports (as defined below, each a "Subsidiary") is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and each Subsidiary is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not, individually or in the aggregate, have or reasonably be expected to result in (i) an adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material and adverse effect on the results of operations, assets, prospects, business or financial condition of the Company and the Subsidiaries, taken as a whole, or (iii) an adverse impairment to the Company' s ability to perform on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "**Material Adverse Effect**").

(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of this Agreement, the Transfer Agent Instructions (as defined below) and any other documents or agreements executed in connection with the transactions contemplated hereunder (collectively, the "**Transaction Documents**") and otherwise to carry out its obligations hereunder and thereunder and to issue the Securities in accordance with the terms hereof and thereof. The execution and delivery of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Purchased Shares, have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, its Board of Directors or its shareholders in connection herewith and therewith. Each Transaction Document has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (a) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (b) as enforceability of any indemnification and contribution provisions may be limited under the federal and state securities laws and public policy, and (c)

that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(c) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Purchased Shares) do not and will not (i) conflict with or violate any provision of the Company' s or any Subsidiary' s certificate or articles of incorporation, any certificate of designations, preferences and rights of any outstanding series of preferred stock, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any material agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other material understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations of whichever of the New York Stock Exchange, Inc., the American Stock Exchange or the Nasdaq National Market (the "**Principal Market**") that the Common Stock is listed or quoted for trading on the date in question (any of the foregoing, a "**Trading Market**"), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(d) Filings, Consents and Approvals. Neither the Company nor any Subsidiary is required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration (collectively, "**Consents**") with, any Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than (i) the filing with the SEC of the prospectus supplement required by the Registration Statement pursuant to Rule 424(b) under the 1933 Act (the "**Prospectus Supplement**") supplementing the base prospectus forming part of the Registration Statement (the "**Prospectus**"), (ii) the application(s) to the Principal Market for the listing of the Purchased Shares for trading thereon, if and as required, (iv) all filings required pursuant to Section 4(f) hereof, and (v) any notifications required by the Company' s common stock being listed on the Nuovo Mercato in Italy.

(e) Issuance of the Securities. The Purchased Shares are duly authorized and, upon issuance in accordance with the terms hereof, will be duly and validly issued, fully paid and nonassessable, free from all taxes, Liens and charges with respect to the issue thereof. The issuance by the Company of the Purchased Shares has been registered under the 1933 Act and all of the Purchased Shares are freely transferable and tradable by the Buyers without restriction. The Purchased Shares are being issued pursuant to the Registration Statement. The Registration Statement is effective and available for the issuance of the Purchased Shares thereunder and the Company has not received any notice that the SEC has issued or intends to issue a stop-order

with respect to the Registration Statement or that the SEC otherwise has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently, or intends or has threatened in writing to do so. The "Plan of Distribution" section under the Registration Statement permits the issuance and sale of the Purchased Shares hereunder. Upon receipt of the Purchased Shares, the Buyers will have good and marketable title to such Purchased Shares.

(f) Capitalization. The Company has an authorized and outstanding capitalization as set forth in the SEC Reports as of the dates specified therein; all of the issued and outstanding shares of capital stock, including the Common Stock, of the Company have been duly authorized and validly issued and are fully paid and non-assessable, have been issued in compliance with all applicable federal and state securities laws and were not issued in violation of any preemptive right, right of first refusal or similar right; there have been no material changes to the Company' s capitalization since September 30, 2004.

(g) SEC Reports. The Company has filed all reports required to be filed by it under the 1933 Act and the 1934 Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law to file such reports) (the foregoing materials being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the 1933 Act and the 1934 Act and the rules and regulations of the SEC promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Registration Statement and any prospectus included therein, including the Prospectus and the Prospectus Supplement, complied in all material respects with the requirements of the 1933 Act and the 1934 Act and the rules and regulations of the SEC promulgated thereunder, and none of such Registration Statement or any such prospectus, including the Prospectus and the Prospectus Supplement, contain or contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the case of any prospectus in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved ("**GAAP**"), except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(h) Disclosure. Except for information relating to the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any Person acting on its behalf has provided any of the Buyers or their agents or counsel with any

information that the Company believes constitutes material, non-public information. Furthermore, the Company shall issue a press release announcing the transaction within 24 hours (including any material non-public information relating thereto which has been provided by the Company or any Person acting on its behalf to any of the Buyers or their agents or counsel) of the Agreement' s execution by all parties hereto. The Company understands and confirms that the Buyers will rely on the foregoing representations and covenants in effecting transactions in securities of the Company. All disclosure provided to the Buyers regarding the Company, its business and the transactions contemplated hereby, furnished by or on behalf of the Company (including the Company' s representations and warranties set forth in this Agreement) are true and correct and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(i) Acknowledgment Regarding Buyer' s Purchase of Securities. The Company acknowledges and agrees that each Buyer is acting solely in the capacity of arm' s length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby, and that no Buyer is an officer or director of the Company. The Company further acknowledges that no Buyer is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated hereby and thereby, and any advice given by a Buyer or any of its representatives or agents in connection with the Transaction Documents and the transactions contemplated hereby and thereby is merely incidental to such Buyer' s purchase of the Securities. The Company further represents to each Buyer that the Company' s decision to enter into the Transaction Documents has been based solely on the independent evaluation by the Company and its representatives.

4. COVENANTS.

(a) Best Efforts. Each party shall use its best efforts timely to satisfy each of the covenants and the conditions to be satisfied by it as provided in Sections 6 and 7 of this Agreement.

(b) Prospectus Supplement and Blue Sky. On or before the Closing, the Company shall have delivered, and as soon as practicable after the Closing the Company shall file, the Prospectus Supplement with respect to the Purchased Shares as required under and in conformity with the 1933 Act, including Rule 424(b) thereunder. If required, the Company, on or before the Closing Date, shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for or to qualify the Securities for sale to the Buyers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyers on or prior to the Closing Date. The Company shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following the Closing Date.

(c) Reporting Status. Until the date on which the Buyers shall have sold all the Purchased Shares (the "**Reporting Period**"), the Company shall make all reasonable efforts timely file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would otherwise permit such termination.

(d) Listing. The Company shall promptly secure the listing of all of the Purchased Shares upon each national securities exchange and automated quotation system, if any, upon which the Common Stock is then listed (subject to official notice of issuance) to the extent required, and shall maintain such listing of all shares of Common Stock from time to time issuable under the terms of the Transaction Documents. Neither the Company nor any of its Subsidiaries shall take any action which would be reasonably expected to result in the delisting or suspension of the Common Stock on the Principal Market. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 4(d).

5. TRANSFER AGENT INSTRUCTIONS.

The Company shall issue instructions to the Transfer Agent, and any subsequent transfer agent in the form of Exhibit A attached hereto (the "**Transfer Agent Instructions**").

6. CONDITIONS TO THE COMPANY' S OBLIGATION TO SELL.

The obligation of the Company hereunder to issue and sell the Purchased Shares to each Buyer at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company' s sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with prior written notice thereof:

(i) Such Buyer shall have executed this Agreement and delivered the same to the Company.

(ii) Such Buyer shall have delivered to the Company the Purchase Price for the Purchased Shares being purchased by such Buyer at the Closing by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

(iii) The representations and warranties of such Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and such Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Buyer at or prior to the Closing Date.

7. CONDITIONS TO EACH BUYER' S OBLIGATION TO PURCHASE.

The obligation of each Buyer hereunder to purchase the Purchased Shares at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following

conditions, provided that these conditions are for each Buyer' s sole benefit and may be waived by such Buyer at any time in its sole discretion by providing the Company with prior written notice thereof:

(i) The Company shall have (i) executed and delivered to such Buyer each of the Transaction Documents, and (ii) electronically delivered the Purchased Shares being purchased by such Buyer at the Closing pursuant to this Agreement.

(ii) Such Buyer shall have received the opinion of the Company' s counsel, dated as of the Closing Date, in a form reasonably acceptable to the Buyers.

(iii) The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

(iv) The Common Stock (I) shall be listed on the Principal Market and (II) shall not have been suspended, as of the Closing Date, by the SEC or the Principal Market from trading on the Principal Market nor shall suspension by the SEC or the Principal Market have been threatened, as of the Closing Date, either (A) in writing by the SEC or the Principal Market or (B) by falling below the minimum listing maintenance requirements of the Principal Market.

(v) The Registration Statement shall be effective and available for the issuance and sale of the Purchased Shares hereunder and the Company shall have delivered to such Buyer the Prospectus and the Prospectus Supplement as required thereunder.

8. TERMINATION. In the event that the Closing shall not have occurred with respect to a Buyer on the Closing Date due to the Company' s or such Buyer' s failure to satisfy the conditions set forth in Sections 6 and 7 above (and the nonbreaching party' s failure to waive such unsatisfied condition(s)), the nonbreaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party.

9. MISCELLANEOUS.

(a) Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding,

any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(b) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

(c) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(d) Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

(e) Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements between the Buyers, the Company, their Affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the holders of Purchased Shares, or, if prior to the Closing Date, those Buyers listed on the Schedule of Buyers. No provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought. No such amendment shall be effective to the extent that it applies to less than all of the holders of the Purchased Shares then outstanding. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration also is offered to all of the parties to the Transaction Documents and holders of Purchased Shares. The Company has not, directly or indirectly, made any agreements with any Buyers relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents.

(f) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one Business Day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Cell Therapeutics, Inc.
501Elliot Avenue West, Suite 400
Seattle, Washington 98119
Facsimile No.: (206) 284-6206
Telephone No.: (206) 282-7100
Attn.: Chief Executive Officer

With a copy to:

Wilson Sonsini Goodrich & Rosati, P.C.
One Market, Spear Tower, Suite 3300
San Francisco, CA 94105-1126
Facsimile No.: (415) 947-2099
Telephone No.: (415) 947-2000
Attn.: Michael J. Kennedy, Esq.

If to a Buyer, to its address and facsimile number set forth on the Schedule of Buyers, with copies to such Buyer' s representatives as set forth on the Schedule of Buyers, or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender' s facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the Purchased Shares. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the holders of Purchased Shares representing at least a majority of the number of the Purchased Shares, including by merger or consolidation. A Buyer may assign some or all of its rights hereunder without the consent of the Company, in which event such assignee shall be deemed to be a Buyer hereunder with respect to such assigned rights.

(h) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

(i) Survival. Unless this Agreement is terminated under Section 8, the representations and warranties of the Company and the Buyers contained in Sections 2 and 3, the agreements and covenants set forth in Sections 4, 5 and 9 shall survive the Closing and the delivery and exercise of Securities, as applicable. Each Buyer shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

(j) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(k) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

(l) Remedies. Each Buyer and each holder of the Securities shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies which such holders have been granted at any time under any other agreement or contract and all of the rights which such holders have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. Furthermore, the Company recognizes that in the event that it fails to perform, observe, or discharge any or all of its obligations under the Transaction Documents, any remedy at law may prove to be inadequate relief to the Buyers. The Company therefore agrees that the Buyers shall be entitled to seek temporary and permanent injunctive relief in any such case without the necessity of proving actual damages and without posting a bond or other security.

(m) Independent Nature of Buyers' Obligations and Rights. The obligations of each Buyer under any Transaction Document are several and not joint with the obligations of any other Buyer, and no Buyer shall be responsible in any way for the performance of the obligations of any other Buyer under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Buyer pursuant hereto or thereto, shall be deemed to constitute the Buyers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Buyers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Buyer confirms that it has independently participated in the negotiation of the transaction contemplated hereby with the advice of its own counsel and advisors. Each Buyer shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of any other Transaction Documents, and it shall not be necessary for any other Buyer to be joined as an additional party in any proceeding for such purpose.

[Signature Page Follows]

IN WITNESS WHEREOF, each Buyer and the Company have caused their respective signature page to the Securities Purchase Agreement to be duly executed as of the date first written above.

COMPANY:

CELL THERAPEUTICS, INC.

By: _____

Name:
James A. Bianco

Title:
President & Chief Executive Officer

IN WITNESS WHEREOF, each Buyer and the Company have caused their respective signature page to the Securities Purchase Agreement to be duly executed as of the date first written above.

BUYERS:

[NAME OF INVESTOR]

By: _____

Name:

Title:

SCHEDULE OF BUYERS

(1) Buyer/Exact Name of Entity Purchasing Shares	(2) Address, Contact Person, Telephone and Facsimile Number	(3) Number of Purchased Shares	(4) Aggregate Purchase Price

EXHIBITS

Exhibit A Form of Transfer Agent Instructions