

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

CELL THERAPEUTICS INC

CIK: **891293** | IRS No.: **911533912** | State of Incorpor.: **WA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-28386** | Film No.: **96665066**
SIC: **2834** Pharmaceutical preparations

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SEATTLE WA 98119

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-28386

CELL THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Washington 91-1533912
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Class	Outstanding at October 1, 1996
-----	-----
Common Stock, no par value	17,300,574

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PART I

Item 1 Financial Statements

CELL THERAPEUTICS, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

<TABLE>
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	September 30, 1996	December 31, 1995
	----- (Unaudited) <C>	----- <C>
<S>		
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 13,609,219	\$ 6,931,592
Securities available-for-sale.....	11,071,838	14,974,430
Prepaid expenses.....	36,455	20,080
	-----	-----
Total current assets.....	24,717,512	21,926,102
Property and equipment, net.....	5,182,840	5,713,227
Note receivable from officer.....	229,750	221,722
Other assets.....	190,274	187,244
Deferred offering costs.....	334,459	--
	-----	-----
Total assets.....	\$ 30,654,835	\$ 28,048,295
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,267,286	\$ 1,057,428
Accrued expenses.....	1,455,846	1,412,424
Current portion of long-term obligations.....	1,253,772	1,114,520
	-----	-----
Total current liabilities.....	3,976,904	3,584,372
Long-term obligations, less current portion.....	2,292,783	2,605,698
Commitments		
Stockholders' equity:		
Preferred stock:		
Authorized shares--10,000,000:		
Series A Convertible Preferred Stock, no par value:		
Designated shares--150,000		
Issued and outstanding shares--140,223.123 and 95,447.004 at		
September 30, 1996 and December 31, 1995, respectively		
(liquidation preference \$335 per share, aggregating \$46,974,746		
and \$31,974,746 at September 30, 1996 and December 31, 1995,		
respectively).....		
	45,466,204	30,496,204
Common stock, no par value:		
Authorized shares--100,000,000		
Issued and outstanding shares--17,300,574 and 17,265,773 at		
September 30, 1996 and December 31, 1995, respectively.....		
	51,808,820	51,481,481
Deficit accumulated during development stage.....	(72,889,876)	(60,119,460)
	-----	-----
Total stockholders' equity.....	24,385,148	21,858,225
	-----	-----
Total liabilities and stockholders' equity.....	\$ 30,654,835	\$ 28,048,295
	=====	=====

</TABLE>

See accompanying notes.

CELL THERAPEUTICS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		PERIOD FROM SEPTEMBER 4, 1991 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1996
	1996	1995	1996	1995	1996
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Collaboration agreements.....	\$ 250,000	\$ 100,000	\$ 3,250,000	\$ 100,000	\$ 3,350,000
Operating expenses:					
Research and development.....	3,436,307	3,511,889	10,861,880	9,998,528	55,228,723
General and administrative.....	1,978,360	1,714,481	5,476,776	4,663,831	23,013,246
	5,414,667	5,226,370	16,338,656	14,662,359	78,241,969
Loss from operations...	(5,164,667)	(5,126,370)	(13,088,656)	(14,562,359)	(74,891,969)
Other income (expense):					
Investment income.....	199,168	389,600	746,863	840,535	3,546,403
Interest expense.....	(128,526)	(126,337)	(387,785)	(373,352)	(1,527,650)
Net loss.....	\$ (5,094,025)	\$ (4,863,107)	\$ (12,729,578)	\$ (14,095,176)	\$ (72,873,216)
Net loss per share.....	\$ (0.29)	\$ (0.29)	\$ (0.74)	\$ (0.85)	
Shares used in computation of net loss per share.....	17,300,574	16,581,959	17,283,564	16,541,013	

</TABLE>

See accompanying notes.

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CELL THERAPEUTICS, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS

<TABLE>
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	NINE MONTHS ENDED SEPTEMBER 30,		PERIOD FROM SEPTEMBER 4, 1991 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1996
	1996	1995	1996
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net loss.....	\$ (12,729,578)	\$ (14,095,176)	\$ (72,873,216)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization.....	1,250,396	1,344,898	6,053,182
Noncash research and			

development expense.....	--	--	1,155,750
Noncash interest expense.....	--	--	25,918
Noncash rent expense...	25,047	25,047	465,119
Investment premium amortization.....	93,023	65,543	503,769
Changes in assets and liabilities:			
Prepaid expenses.....	(16,375)	(12,416)	(36,455)
Note receivable from officer.....	(8,028)	(8,028)	(229,750)
Other assets.....	(15,438)	399,014	(297,363)
Accounts payable.....	209,858	(51,011)	1,267,286
Accrued expenses.....	43,422	(650,159)	1,455,846
Total adjustments.....	1,581,905	1,112,888	10,363,302
Net cash used in operating activities.....	(11,147,673)	(12,982,288)	(62,509,914)
INVESTING ACTIVITIES			
Purchases of securities available-for-sale.....	(7,055,269)	(10,715,996)	(55,967,367)
Proceeds from sales of securities available for-sale.....	--	3,659,296	14,890,313
Proceeds from maturities of securities available-for-sale.....	10,824,000	--	29,484,787
Purchase of property and equipment.....	(707,601)	(173,101)	(10,995,897)
Dispositions of property and equipment.....	--	36,476	151,469
Net cash provided by (used in) investing activities.....	3,061,130	(7,193,325)	(22,436,695)
FINANCING ACTIVITIES			
Sales of common stock to founders.....	--	--	80,000
Proceeds of borrowings from stockholder.....	--	--	850,000
Sale of preferred stock via private placement, net of offering costs.....	14,970,000	30,496,204	45,466,204
Sale of common stock via private placements, net of offering costs.....	--	--	49,307,084
Repurchase of common stock.....	--	--	(2,522)
Repayment of long-term obligations.....	(815,010)	(2,702,574)	(8,127,091)
Proceeds from common stock options exercised.....	21,781	17,085	79,420
Proceeds from common stock warrants exercised.....	305,558	--	305,558
Change in deferred offering costs.....	(334,459)	--	(334,459)
Proceeds from the issuance of long-term obligations.....	616,300	1,800,000	10,931,634
Net cash provided by financing activities...	14,764,170	29,610,715	98,555,828
Net increase in cash and cash equivalents.....	6,677,627	9,435,102	13,609,219
Cash and cash equivalents at beginning of period.....	6,931,592	2,408,256	--
Cash and cash equivalents at end of period.	\$13,609,219	\$11,843,358	\$ 13,609,219

SUPPLEMENTAL SCHEDULE

OF NONCASH INVESTING

AND FINANCING

ACTIVITIES:

Acquisition of equipment pursuant to capital lease obligations.....	\$ --	\$ --	\$ 276,893
	=====	=====	=====
Conversion of convertible debt and related accrued interest into common stock.....	\$ --	\$ --	\$ 875,918
	=====	=====	=====

SUPPLEMENTAL

DISCLOSURE OF CASH

FLOW INFORMATION:

Cash paid during the period for interest...	\$ 390,034	\$ 395,172	\$ 1,501,525
	=====	=====	=====

</TABLE>

See accompanying notes.

CELL THERAPEUTICS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

September 30, 1996
(Unaudited)

(1) Summary of Significant Accounting Policies

The accompanying unaudited financial information of Cell Therapeutics, Inc. (the "Company") as of September 30, 1996 and for the three and nine months ended September 30, 1996 and 1995 has been prepared in accordance with the instructions to Form 10-Q. In the opinion of management, such financial information includes all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the financial position at such date and the operating results and cash flows for such periods. Operating results for the three and nine month periods ended September 30, 1996 are not necessarily indicative of the results that may be expected for the entire year. These financial statements and the related notes should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 1995 and the unaudited financial statements for the quarter ended March 31, 1996 included in the Company's Registration Statement on Form 10, as amended, which Registration Statement became effective on June 28, 1996, and the Company's unaudited financial statements for the quarter ended June 30, 1996 included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1996.

Certain prior year balances have been reclassified to conform to the current year presentation.

(2) Equity Offerings

On April 26, 1996, the Company filed a registration statement on Form S-1 (the "Registration Statement") with the Securities and Exchange Commission in connection with a planned initial public offering (the "Offering") of the Company's common stock. Such Registration Statement has not been declared effective by the Securities and Exchange Commission, and on June 27, 1996 the Company announced that it was postponing the Offering until further notice. On September 3, 1996 the Company withdrew the Registration Statement.

In September 1996, the Company commenced a fourth round of equity financing through a private offering of Series A Convertible Preferred Stock ("Convertible Preferred Stock") at \$335 per share. Total gross proceeds of the offering amounted to \$15,000,000, representing 44,776.119 shares of Convertible Preferred Stock.

In October 1996, the Company sold an additional 5,970.1493 shares of Convertible Preferred Stock at \$335 per share for total gross proceeds of \$2,000,000.

In October 1996, the Board of Directors approved the reduction in the number of

authorized shares of Convertible Preferred Stock to 146,193.2723.

(3) Subsequent Event

On November 8, 1996, the Company entered into a collaboration and license agreement with Ortho Biotech Inc. and the R.W. Johnson Pharmaceutical Research Institute, a division of Ortho Pharmaceutical Corporation (hereinafter collectively, "Ortho") for the development and commercialization of Lisofylline. Under the agreement, CTI will be responsible for the development of Lisofylline in the United States (the "Co-Promotion Territory"). Subject to certain termination rights, Ortho has agreed to fund 60% of CTI's budgeted development expenses incurred in connection with obtaining regulatory approval for Lisofylline in the Co-Promotion Territory. Upon execution of the agreement, Ortho paid the Company a \$5.0 million non-refundable up-front fee. In addition, Johnson & Johnson Development Corporation, an affiliate of Ortho, purchased 14,925.373 shares of CTI's newly issued Series B Preferred Stock at \$335.0 per share for an aggregate purchase price of \$5.0 million. CTI and Ortho will co-promote Lisofylline in the Co-Promotion Territory and will share profits and losses. Ortho will have the exclusive right to develop and market Lisofylline, at its own expense, for markets outside of the Co-Promotion Territory, subject to specified royalty payments to CTI. CTI will also receive additional equity, license, milestone and similar payments under the agreement if certain milestones are achieved.

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Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

THIS QUARTERLY REPORT ON FORM 10-Q CONTAINS, IN ADDITION TO HISTORICAL INFORMATION, FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. WHEN USED IN THIS FORM 10-Q, THE WORDS "BELIEVES", "ANTICIPATES", "INTENDS", "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS COULD DIFFER SIGNIFICANTLY FROM THE RESULTS DISCUSSED IN SUCH FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED BELOW AND IN THE COMPANY'S REGISTRATION STATEMENT ON FORM 10, AS AMENDED. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE OF THIS FORM 10-Q. THE COMPANY UNDERTAKES NO OBLIGATION TO PUBLICLY RELEASE THE RESULTS OF ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS WHICH MAY BE MADE TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS FORM 10-Q OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

Overview

The Company focuses on the discovery, development and commercialization of small molecule drugs that modulate the production of cell membrane lipids called phosphatidic acids ("PAs") for the treatment of cancer and inflammatory and immune diseases. Since commencement of operations in 1992, the Company has been engaged in research and development activities, including conducting preclinical studies and clinical trials, and recruiting its scientific and management personnel, establishing laboratory facilities and raising capital. The Company has not received any revenue from the sale of products to date and does not expect to receive revenues from the sale of products for at least the next several years.

As of September 30, 1996, the Company had incurred aggregate net losses of approximately \$72.9 million since its inception. The Company expects to continue to incur significant additional operating losses over the next several years as its research, development and clinical trial efforts expand. Operating losses may fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred and revenues recognized. As of September 30, 1996, the Company's operations have been funded primarily from the sale of equity securities, which have raised aggregate net proceeds of approximately \$96.1 million.

Results of Operations

Three months ended September 30, 1996 compared with three months ended September 30, 1995.

During the quarter ended September 30, 1996, the Company received a \$250,000 milestone payment in connection with its collaboration with BioChem Pharma, Inc. The Company received a milestone payment of \$100,000 under the same collaboration agreement during the quarter ended September 30, 1995.

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Research and development expenses decreased to approximately \$3.4 million for the quarter ended September 30, 1996 from approximately \$3.5 million for the quarter ended September 30, 1995. This decrease was primarily due to reduced preclinical-related development activities with respect to the Company's anti-cancer compound, CT-2584, which decrease was partially offset by increased manufacturing-related development expenses for Lisofylline. The Company expects that research and development expenses will increase significantly the fourth quarter of 1996 and in future years as the Company expands its research and development programs and undertakes additional clinical trials.

General and administrative expenses increased to approximately \$2.0 million for the quarter ended September 30, 1996 from approximately \$1.7 million for the quarter ended September 30, 1995. This increase was primarily due to operating expenses associated with supporting the Company's continuing research and development and continuing business development activities. General and administrative expenses are expected to increase to support the Company's expected increase in research, development and clinical trial efforts.

Investment income principally comprises interest income from investment of the Company's cash reserves. Interest expense results primarily from the financing of laboratory and other equipment. Investment income net of interest expense decreased to approximately \$71,000 for the quarter ended September 30, 1996 from approximately \$263,000 for the quarter ended September 30, 1995. This decrease was primarily associated with interest earnings on a lower average balance of cash reserves between the quarters.

Nine months ended September 30, 1996 compared with nine months ended September 30, 1995

During the nine months ended September 30, 1996, the Company received a \$250,000 milestone payment from BioChem Pharma, Inc. in connection with an existing collaboration agreement, and a \$3.0 million non-refundable signing fee from Schering AG in connection with a collaboration agreement which terminated in April 1996. During the nine months ended September 30, 1995, the Company received a milestone payment of \$100,000 under the collaboration agreement with BioChem Pharma.

Research and development expenses increased to approximately \$10.9 million for the nine months ended September 30, 1996 from approximately \$10.0 million for the nine months ended September 30, 1995. This increase was primarily due to expanded manufacturing and clinical-related development activities with respect to Lisofylline, which increase was partially offset by a decrease in preclinical-related development expenses with respect to CTI's anti-cancer compound, CT-2584.

General and administrative expenses increased to approximately \$5.5 million for the nine months ended September 30, 1996 from approximately \$4.7 million for the nine months ended September 30, 1995. This increase is primarily due to legal costs associated with the collaboration agreement with Schering AG which terminated in April 1996, other continuing business development activities, and to operating expenses associated with supporting the Company's increased research, development and clinical activities.

Investment income net of interest expense decreased to approximately \$359,000 for the nine months ended September 30, 1996 from approximately \$467,000 for the nine months ended September 30, 1995. This decrease was primarily associated with interest earnings on a lower average balance of cash reserves between the nine month periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations since inception through the sale of equity securities, long-term obligations and convertible debt. As of September 30, 1996, the Company had raised aggregate net proceeds of approximately \$98.9 million from such financing activities, including \$15.0 million and \$30.5 million

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from the sale of Convertible Preferred Stock in 1996 and 1995 respectively, \$49.3 million from the sale of Common Stock in 1992 and 1993, \$850,000 from a bridge loan which was subsequently converted to equity, and approximately \$400,000 from the exercise of stock options and warrants. The Company has incurred approximately \$330,000 in deferred offering costs related to its withdrawn initial public offering. In addition, the Company financed the purchase of approximately \$11.0 million of property and equipment through financing agreements, of which approximately \$2.9 million remained outstanding

as of September 30, 1996.

The Company's principal sources of liquidity are its cash balances, cash equivalents and securities available-for-sale, which totaled approximately \$24.7 million as of September 30, 1996. The Company invests in U.S. government obligations and other highly rated liquid debt instruments.

The Company expects that its capital requirements will increase as the Company expands its research and development programs and undertakes additional clinical trials. In connection with such expansion, the Company expects to incur substantial expenditures for hiring additional management, scientific and administrative personnel, for planned expansion of its facilities, and for the purchase or lease of additional equipment.

The Company does not expect to generate a positive cash flow from operations for several years due to substantial additional research and development costs, including costs related to drug discovery, preclinical testing, clinical trials, manufacturing costs and operating expenses associated with supporting such activities. The Company will require substantial funds to conduct its existing and planned preclinical and clinical trials, to establish manufacturing and marketing capabilities for any products it may develop, and to continue research and development activities. The Company's current cash and cash equivalents will not be sufficient to fund the Company's operations through the commercialization of its first product. The Company expects that its existing capital resources, together with the interest earned thereon, will enable the Company to maintain its current and planned operations at least through 1997. No assurance can be given that changes will not occur that will consume available capital resources before such time. The Company will need to raise substantial additional capital to fund its operations beyond such time. The Company's future capital requirements will depend on, and could increase as a result of, many factors, including continued scientific progress in its research and development programs, the magnitude of such programs, the progress of preclinical testing and clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in preparing, filing, prosecuting, maintaining, enforcing and defending patent claims, competing technological and market developments, the terms of any collaborative arrangements that the Company may enter into, the ability of the Company to establish research, development and commercialization arrangements pertaining to the Company's products, the cost of establishing manufacturing facilities, the cost of commercialization activities and the demand for the Company's products if and when approved.

The Company intends to raise additional funds through additional equity or debt financings, research and development financings, collaborative relationships, or otherwise. Because of these long-term capital requirements, the Company may seek to access the public or private equity markets whenever conditions are favorable, even if it does not have an immediate need for additional capital at that time. There can be no assurance that additional financing will be available to the Company, or, if available, that it will be on acceptable terms. If additional funds are raised by issuing equity securities, further dilutions to stockholders may result. If adequate funds are not available, the Company may be required to delay, reduce the scope of, or eliminate one or more of its research, development and clinical activities or to seek to obtain funds through arrangements with collaborative

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partners or others that may require the Company to relinquish rights to certain of its technologies, product candidates or products that the Company would otherwise seek to develop or commercialize itself.

On April 26, 1996, the Company filed a registration statement on Form S-1 (the "Registration Statement") with the Securities and Exchange Commission (the "Commission") in connection with a planned initial public offering (the "Offering") of the Company's Common Stock. Such registration statement has not been declared effective by the Commission, and on June 27, 1996 the Company announced that it was postponing the Offering until further notice. On September 3, 1996 the Company withdrew the Registration Statement.

At September 30, 1996, the Company had net operating loss carryforwards of approximately \$69.8 million and research and development credit carryforwards of approximately \$1.5 million. These carryforwards begin to expire in 2007.

FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company operates in a rapidly changing environment that involves a number of risks, some of which are outside of the Company's control. The following discussion highlights some of these risks and others are discussed

elsewhere herein and in other documents filed by the Company with the Securities and Exchange Commission.

The time frame for market success for any of the Company's potential products is long and uncertain. The Company is at an early stage of development and its technology is unproven. All of the Company's proposed products are in research or development and will require significant additional research and development efforts prior to any commercial use, including extensive preclinical and clinical testing as well as lengthy regulatory approval. There can be no assurance that the Company's research and development efforts will be successful, that any of its proposed products will prove to be safe and efficacious in clinical trials or meet applicable regulatory standards, that unforeseen problems will not develop with the Company's technologies or applications, or that any commercially successful products will ultimately be developed by the Company. The Company faces substantial competition from a variety of sources, both direct and indirect. There can be no assurance that research and discoveries by others will not render some or all of the Company's programs or products noncompetitive or obsolete or that the Company will be able to keep pace with technological developments or other market factors.

The successful commercialization of the Company's potential products in certain markets will be dependent, among other things, on the establishment of commercial marketing arrangements with others. There can be no assurance that any such arrangements will be established. If the Company is not able to establish such arrangements, it could encounter delays in introducing its products into certain markets or find that the development, manufacture or sale of its products in such markets is adversely affected. There can be no assurance that the Company will enter into any such agreements on acceptable terms or that any such parties will perform their obligations or that any revenue will be derived from such arrangements. The Company's proposed products under development have never been manufactured on a commercial scale and there can be no assurance that such products can be manufactured at a cost or in quantities necessary to make them commercially viable. The Company currently has no manufacturing facilities and has no experience in sales, marketing or distribution. If the Company develops any products with commercial potential, it may seek to enter into collaborative

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arrangements with other parties which have established manufacturing, sales, marketing and distribution capabilities or may need to develop such resources on its own.

The foregoing risks reflect the Company's early stage of development and the nature of the Company's industry and potential products. Other risk factors that may affect the Company's future results include competition, uncertainties regarding protection of patents and proprietary rights, government regulation and uncertainties regarding pharmaceutical pricing and reimbursement.

SUBSEQUENT EVENT

On November 8, 1996, the Company entered into a collaboration and license agreement with Ortho Biotech Inc. and the R.W. Johnson Pharmaceutical Research Institute, a division of Ortho Pharmaceutical Corporation (hereinafter collectively, "Ortho") for the development and commercialization of Lisofylline. Under the agreement, CTI will be responsible for the development of Lisofylline in the United States (the "Co-Promotion Territory"). Subject to certain termination rights, Ortho has agreed to fund 60% of CTI's budgeted development expenses incurred in connection with obtaining regulatory approval for Lisofylline in the Co-Promotion Territory. Upon execution of the agreement, Ortho paid the Company a \$5.0 million non-refundable up-front fee. In addition, Johnson & Johnson Development Corporation, an affiliate of Ortho, purchased 14,925.373 shares of CTI's newly issued Series B Preferred Stock at \$335.0 per share for an aggregate purchase price of \$5.0 million. CTI and Ortho will co-promote Lisofylline in the Co-Promotion Territory and will share profits and losses. Ortho will have the exclusive right to develop and market Lisofylline, at its own expense, for markets outside of the Co-Promotion Territory, subject to specified royalty payments to CTI. CTI will also receive additional equity, license, milestone and similar payments under the agreement if certain milestones are achieved.

PART II

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3.1 Restated Bylaws of the Company

- 10.1 Stock Purchase Agreement, dated as of September 17, 1996, between the Company and Kummell Investments Limited, International Biotechnology Trust plc, W.R. Smith II, Vulcan Ventures Inc. and The Phoenix Partners III Limited Partnership.
- 10.2 Stock Purchase Agreement, dated as of October 11, 1996, between the Company and New York Life Insurance Company.
- 10.3 Registration Rights Agreement between the Company and the other parties included therein, dated as of September 17, 1996, as amended by Amendment No. 1 thereto dated as of October 11, 1996.
- 10.4 Letter Agreement between the Company and Kummell Investments Limited, dated September 17, 1996.
- 11.1 Computation of net loss per share
- 27.1 Financial Data Schedule

(b) Reports on Form 8-K

Report dated September 25, 1996, reporting the closing of an unregistered private offering of 44,776.119 shares of Series A Convertible Preferred Stock for an aggregate purchase price of \$15,000,000.

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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 thereunto duly authorized:

CELL THERAPEUTICS, INC.
(Registrant)

Dated: November 14, 1996 By: /s/ JAMES A. BIANCO, M.D.

James A. Bianco, M.D.
President and Chief Executive Officer

Dated: November 14, 1996 By: /s/ LOUIS A. BIANCO

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

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RESTATED
BYLAWS
OF
CELL THERAPEUTICS, INC.

ARTICLE I

Registered Office and Registered Agent

1. The registered office of the Corporation shall be located in the State of Washington at such place as may be fixed from time to time by the Board of Directors upon filing of such notices as may be required by law, and the registered agent shall have a business office identical with such registered office. A registered agent so appointed shall consent to appointment in writing and such consent shall be filed with the Secretary of State of the State of Washington.

2. If a registered agent changes the street address of the agent's business office, the registered agent may change the street address of the registered office of the Corporation by notifying the Corporation in writing of the change and signing, either manually or in facsimile, and delivering to the Secretary of State for filing a statement of such change, as required by law.

3. The Corporation may change its registered agent at any time upon the filing of an appropriate notice with the Secretary of State, with the written consent of the new registered agent either included in or attached to such notice.

ARTICLE II

Shareholders' Meetings

1. Meeting Place. All meetings of the shareholders shall be held,

pursuant to proper notice as set forth in Article II, Section 5 of these Bylaws, at the principal executive office of the Corporation, or at such other place as shall be determined from time to time by the Board of Directors.

2. Annual Meeting Time. The annual meeting of the shareholders

for the election of directors and for the transaction of such other business as may properly come

before the meeting shall be held each year on such date and at such hour as may be determined by resolution of the Board of Directors from time to time. In the absence of such determination, the annual meeting shall be held each year on the 1st of May at the hour of 10:00 a.m. if not a legal holiday, and if a legal holiday, then on the next business day following, at the same hour

3. Annual Meeting - Order of Business. At the annual meeting of

shareholders, the order of business shall be as follows:

- (a) Call to order.
- (b) Proof of notice of meeting (or filing of waiver).
- (c) Reading of minutes of last annual meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of directors.
- (g) Other business.

4. Special Meetings. Special meetings of the shareholders for any purpose

may be called at any time by the President, the Board of Directors or the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at such special meeting in accordance with RCW 23B.07.020. Special shareholders' meetings shall be held at the Corporation's principal executive office or at such other place as shall be identified in the notice of such meeting.

5. Notice.

(a) Except as provided in subsection (c) hereunder, notice of the date, time and place of the annual meeting of shareholders shall be given by delivering personally or by mailing a written or printed notice of the same, at least ten days, and not more than sixty days, prior to the meeting to each shareholder of record entitled to vote at such meeting.

(b) Except as provided in subsection (c) hereunder, written or printed notice of each special meeting of shareholders shall be given at least ten days and not more than sixty days prior to the meeting. Such notice shall state the date, time and place of such meeting, and the purpose or purposes for which the meeting is called, and shall be delivered personally, or mailed to each shareholder of record entitled to vote at such meeting.

(c) Notice of a shareholders' meeting at which the shareholders will be called to act on an amendment to the articles of incorporation, a plan of

merger or share exchange, a proposed sale of assets other than in the regular course of business or the

dissolution of the Corporation shall be given not fewer than twenty days and not more than sixty days before the meeting date.

6. Record Date. For the purpose of determining shareholders entitled to

notice of or to vote at any meeting of shareholders, or at any adjournment thereof, or entitled to receive dividends or distributions, the Board of Directors shall fix in advance a record date for any such determination of shareholders, such date to be not more than seventy days and, in case of a meeting of shareholders, not less than ten days prior to the date on which the particular action requiring such determination of shareholders is to be taken.

7. Shareholders' List. After fixing a record date for a shareholders'

meeting, the Corporation shall prepare an alphabetical list of the names of all its shareholders on the record date who are entitled to notice of a shareholders' meeting. Such list shall be arranged by voting group, and within each voting group by class or series of shares, and show the address of and number of shares held by each shareholder. The shareholders' list shall be kept on file at the registered office of the Corporation for a period beginning ten days prior to such meeting and shall be kept open at the time and place of such meeting for the inspection by any shareholder, or any shareholder's agent or attorney.

8. Quorum. Except as otherwise required by law, a quorum at any annual or

special meeting of shareholders shall consist of shareholders representing, either in person or by proxy, a majority of the votes entitled to be cast on the matter by each voting group.

9. Voting.

(a) Except as otherwise provided in the Articles of Incorporation and subject to the provisions of the laws of the State of Washington, each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a shareholders' meeting.

(b) If a quorum exists, action on a matter, other than the election of directors, is approved by a voting group if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action, unless the question is one which by express provision of law, of the Articles of Incorporation or of these Bylaws a greater number of affirmative votes is required.

(c) Unless otherwise provided in the Articles of Incorporation, in any election of directors the candidates elected are those receiving the largest numbers of votes cast by the shares entitled to vote in the election, up to the number of directors to be elected by such shares.

10. Proxies. A shareholder may vote either in person or by appointing a

proxy by signing an appointment form, either personally or by the shareholder's attorney-in-

fact or agent. An appointment of a proxy is effective when received by the person authorized to tabulate votes for the Corporation. An appointment of a proxy is valid for eleven months unless a longer period is expressly provided in the appointment form.

11. Action by Shareholders Without a Meeting. Any action required or which

may be taken at a meeting of shareholders of the Corporation may be taken without a meeting if the action is taken by all the shareholders entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by all the shareholders entitled to vote on the action, and delivered to the Corporation for inclusion in the minutes or filing with the Corporation's records. Action taken in accordance with this section shall be effective when all written consents are in the possession of the Corporation unless the consent specifies a later effective date.

12. Waiver of Notice. A written waiver of any notice required to be given

to any shareholder, signed by the person or persons entitled to such notice, whether before or after the time stated therein for the meeting, shall be deemed the giving of such notice by the Corporation, provided that such waiver has been delivered to the Corporation for inclusion in the minutes or filing with the Corporation's records. A shareholder's attendance at a meeting waives any notice required, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.

13. Action of Shareholders by Communications Equipment. Shareholders may

participate in any meeting of shareholders by any means of communication by which all persons participating in the meeting can hear each other during the meeting. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

14. Shareholder Nomination of Director Candidates. Subject to the rights

of holders of any class or series of stock having a preference over the Corporation's common stock as to dividends or upon liquidation, if any, nominations for the election of directors may be made by the Board of Directors

or a committee appointed by the Board of Directors or by any shareholder entitled to vote in the election of directors generally. However; any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been received by the Corporation, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (a) with respect to the election to be held at an annual meeting of shareholders, ninety days prior to the date one year from the date of the immediately preceding annual meeting of shareholders, and (b) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to

be nominated; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The Chairman of the meeting may in his discretion determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedures, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

15. Shareholder Proposals. Any shareholder may make any proposal at an

annual meeting of shareholders and the same may be discussed and considered only if written notice of such shareholder's intent to make such proposal(s) has been received by the Corporation, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than ninety days prior to the date one year from the date of the immediately preceding annual meeting of shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the proposal(s); (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to vote for the proposal(s); and (c) such other information regarding each proposal as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission. The Chairman of the meeting may in his discretion determine and

declare to the meeting that a proposal was not made in accordance with the foregoing procedures, and if he should so determine, he shall so declare to the meeting and the defective proposal shall be disregarded.

ARTICLE III

Shares of Stock

1. Issuance of Shares. No shares of the Corporation shall be issued unless

authorized by the Board of Directors. Such authorization shall include the number of shares to be issued, the consideration to be received and a statement regarding the adequacy of the consideration. Shares may but need not be represented by certificates. Unless otherwise provided by law, the rights and obligations of shareholders are identical whether or not their shares are represented by certificates.

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2. Certificated Shares. If shares are represented by certificates,

certificates of stock shall be issued in numerical order; and each shareholder shall be entitled to a certificate signed, either manually or in facsimile, by the President or a Vice President, and the Secretary, and such certificate may bear the seal of the Corporation or a facsimile thereof. If an officer who has signed or whose facsimile signature has been placed upon such certificate ceases to be such officer before the certificate is issued, it may be issued by the Corporation with the same effect as if the person were an officer on the date of issue.

At a minimum each certificate of stock shall state:

(a) the name of the Corporation;

(b) that the Corporation is organized under the laws of the State of Washington;

(c) the name of the person to whom the certificate is issued;

(d) the number and class of shares and the designation of the series, if any, the certificate represents; and

(e) if the Corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences and limitations applicable to each class and the variations in rights, preferences and limitations determined for each-series, and the authority of the Board of Directors to determine variations for future series, must be summarized either on the front or back of the certificate. Alternatively, the certificate may state conspicuously on its front or back that

the Corporation will furnish the shareholder this information without charge on request in writing.

In case of any mutilation, loss or destruction of any certificate of stock, another certificate may be issued in its place on proof of such mutilation, loss or destruction. The Board of Directors may impose conditions on such issuance and may require the giving of a satisfactory bond or indemnity to the Corporation in such sum as it might determine or establish such other procedures as it deems necessary or appropriate

3. Uncertificated Shares.

(a) Unless the Articles of Incorporation provide otherwise, the Board of Directors may authorize the issue of any of the Corporation's classes or series of shares without certificates. This authorization does not affect shares already represented by certificates until they are surrendered to the Corporation.

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(b) Within a reasonable time after the issuance of shares without certificates, the Corporation shall send the shareholder a complete written statement of the information required on certificates as provided in Article III, Section 2 of these Bylaws.

4. Transfers.

(a) Transfers of stock shall be made only upon the stock transfer records of the Corporation, which records shall be kept at the registered office of the Corporation or at its principal place of business, or at the office of its transfer agent or registrar. The Board of Directors may, by resolution, open a share register in any state of the United States, and may employ an agent or agents to keep such register and to record transfers of shares therein.

(b) Shares of certificated stock shall be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on the back of the certificate or an assignment separate from certificate, or by a written power of attorney to sell, assign and transfer the same, signed by the holder of said certificate. No shares of certificated stock shall be transferred on the records of the Corporation until the outstanding certificates therefor have been surrendered to the Corporation or to its transfer agent or registrar.

(c) Shares of uncertificated stock shall be transferred upon receipt by the Corporation of a written request for transfer signed by the shareholder. Within a reasonable time after the transfer of shares without certificates, the Corporation shall provide the new shareholder a complete written statement of the information required on certificates as provided in Article III, Section 2 of these Bylaws.

5. Fractional Shares or Scrip. The Corporation may:

(a) issue fractions of a share;

(b) arrange for the disposition of fractional interests by the shareholders;

(c) pay in money the value of fractions of a share; and

(d) issue scrip in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of enough scrip to equal a full share.

6. Shares of Another Corporation. Shares owned by the Corporation in

another Corporation, domestic or foreign, may be voted by such officer, agent or proxy as the Board of Directors may determine or, in the absence of such determination, by the President of the Corporation.

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ARTICLE IV

Board of Directors

1. Powers. The management of all the affairs, property and interests of

the Corporation shall be vested in a Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws and by the Articles of Incorporation, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts as are not prohibited by statute or by the Articles of Incorporation or by these Bylaws or as directed or required to be exercised or done by the shareholders.

2. General Standards for Directors.

(a) A director shall discharge the duties of a director; including duties as a member of a committee:

(i) in good faith;

(ii) with the care an ordinary prudent person in a like position would exercise under similar circumstances; and

(iii) in a manner the director reasonably believes to be in the best interests of the Corporation.

3. Number, Classes and Term. The Board of Directors shall consist of

eight (8) persons. The Board of Directors shall be divided into three classes, with the classes to be as equal in number as may be possible. Upon such division, the Board of Directors shall designate the class in which each then current director shall serve for the terms set forth below:

Class	Term
-----	----
Class I	1 year
Class II	2 years
Class III	3 years

At each annual meeting of shareholders thereafter; the number of directors equal to the number of directors in the class whose term expires at the time of such meeting shall be elected to serve until the third ensuing annual meeting of shareholders. Directors need not be residents of the State of Washington. Directors may serve for any number of consecutive terms. Unless a director dies, resigns or is removed, he or she shall hold

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office for the term elected or until his or her successor is elected and qualified, whichever is later.

4. Change of Number. The number of directors may at any time be

increased or decreased by resolution of either the shareholders or directors at any annual, special or regular meeting; provided, that no decrease in

the number of directors shall have the effect of shortening the term of any incumbent director, except as provided in Sections 6 and 7 of this Article IV. The Board of Directors alone shall determine into which class(es) the director(s) shall be added or from which class(es) the director(s) shall be removed, as appropriate.

5. Vacancies. All vacancies in the Board of Directors, whether caused

by resignation, death or otherwise, may be filled by the affirmative vote of a majority of the remaining directors in office though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall hold office until the next shareholders' meeting at which directors are elected and until his or her successor is elected and qualified. Any directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next election of directors by the shareholders and until his or her successor is elected and qualified.

6. Resignation. A director may resign at any time by delivering

written notice to the Board of Directors, the President or the Secretary. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

7. Removal of Directors. At a special meeting of shareholders called

expressly for that purpose, the entire Board of Directors, or any member thereof, may be removed from office at any time, but only (a) for Cause and (b) if the number of votes cast to remove the director by holders of shares then entitled to vote in an election of directors exceed the number of votes cast not to remove the director. For purposes of this Article III, "Cause" shall be limited to (a) action by a director involving willful malfeasance having a material adverse effect on the Corporation or (b) a director being convicted of a felony; provided that any action by a director shall not constitute "Cause" if, in good faith, the director believed such action to be in or not opposed to the best interests of the Corporation, or if a director shall be entitled, under applicable law, the Articles of Incorporation of the Corporation, these Bylaws or a contract with the Corporation, to be indemnified with respect to such action. The notice of such meeting must state that the purpose, or one of the purposes, of the meeting is removal of the director or directors, as the case may be.

8. Regular Meetings. Regular meetings of the Board of Directors or

any committee may be held without notice at the principal place of business of the Corporation or at such other place or places, either within or without the State of Washington, as the Board of Directors or such committee, as the case may be, may from time to time

designate. The annual meeting of the Board of Directors shall be held without notice immediately after adjournment of the annual meeting of shareholders.

9. Special Meetings.

(a) Special meetings of the Board of Directors may be called at any time by the Chairman, the President or by a majority of the members of the Board of Directors, to be held at the principal place of business of the Corporation or at such other place as the Board of Directors or the person or persons calling such meeting may designate. Notice of all special meetings of the Board of Directors, stating the date, time and place thereof, shall be given at least three (3) days prior to the date of the meeting, in accordance with the provisions set forth in Article VII of these Bylaws. Such notice need not specify the business to be transacted at, or the purpose of, the meeting.

(b) Special meetings of any committee of the Board of Directors may be

called at any time by such person or persons and with such notice as shall be specified for such committee by the Board of Directors, or in the absence of such specification, in the manner and with the notice required for special meetings of the Board of Directors.

10. Waiver of Notice. A director may waive any notice required by law, by

the Articles of Incorporation or by these Bylaws before or after the time stated for the meeting, and such waiver shall be equivalent to the giving of such notice. Such waiver must be in writing, signed by the director entitled to such notice and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A director's attendance at or participation in a meeting shall constitute a waiver of any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

11. Quorum. A majority of the full Board of Directors shall be necessary

at all meetings to constitute a quorum for the transaction of business. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors.

12. Registering Dissent. A director who is present at a meeting of the

Board of Directors at which action on a corporate matter is taken is deemed to have assented to such action unless:

(a) the director objects at the beginning of the meeting, or promptly upon the director's arrival, to the holding of, or transaction of business at, the meeting;

(b) the director's dissent or abstention from the action is entered in the minutes of the meeting; or

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(c) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation within a reasonable time after adjournment of the meeting. The right to dissent or abstain is not available to a director who voted in favor of the action taken.

13. Action by Directors Without a Meeting.

(a) Any action required or permitted to be taken at a meeting of the Board of Directors, or of a committee thereof, may be taken without a meeting if the action is taken by all members of the Board of Directors.

The action must be evidenced by one or more written consents setting forth the action taken, signed by each of the directors, or by each of the members of the committee, as the case may be, either before or after the action taken, and delivered to the Corporation for inclusion in the minutes or filing with the Corporation's records.

(b) Action taken under this section is effective when the last director signs the consent, unless the consent specifies a later effective date.

14. Participation by Means of Communications Equipment. Any or all

directors may participate in a regular or special meeting of the Board of Directors (or of a committee thereof) by, or may conduct the meeting through the use of, any means of communication by which all directors participating can hear each other during the meeting.

15. Committees.

(a) The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may create one or more committees of directors. Each committee must have two or more members who serve at the pleasure of the Board of Directors. To the extent specified by the Board of Directors, each committee may exercise the authority of the Board of Directors, except that no committee shall have the authority to:

(i) authorize or approve a distribution except according to a general formula or method prescribed by the Board of Directors;

(ii) approve or propose to shareholders action that by law is required to be approved by shareholders;

(iii) fill vacancies on the Board of Directors or any of its committees;

(iv) amend the Articles of Incorporation;

(v) adopt, amend or repeal these Bylaws;

(vi) approve a plan of merger not requiring shareholder approval;

or

(vii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee (or a senior executive officer of the Corporation) to do so within limits specifically prescribed by the Board of Directors.

(b) The creation of, delegation of authority to or action by a committee does not alone constitute compliance by a director with the standards of conduct required by the Washington Business Corporation Act and these Bylaws.

16. Remuneration. No stated salary shall be paid directors, as such, for -----
their service, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board of Directors or of a committee thereof; provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor

ARTICLE V

Officers

1. Designations. The officers of the Corporation shall be a President, a -----
Secretary and, at the discretion of the Board of Directors, one or more Vice-Presidents and a Treasurer. The Board of Directors shall appoint all officers. Any two or more offices may be held by the same individual.

The Board of Directors, in its discretion, may elect a Chairman from among its members to serve as Chairman of the Board of Directors, who, when present, shall preside at all meetings of the Board of Directors and the shareholders, and who shall have such other powers as the Board may determine.

2. Appointment and Term of Office. The officers of the Corporation shall -----
be appointed annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. Each officer shall hold office until a successor shall have been appointed and qualified, or until such officer's earlier death, resignation or removal.

3. Powers and Duties. If the Board appoints persons to fill the following -----
positions, such officers shall have the power and duties set forth below:

(a) The President. The President of the Corporation shall be the Chief -----
Executive Officer of the Corporation and, subject to the direction and control of the Board of Directors, shall have general control and management of the business affairs and policies of the Corporation. The President shall act as liaison from and as spokesman for the Board of Directors. The President shall participate in long-range planning for the Corporation and shall be available

to the other officers of the Corporation for consultation. The President shall possess power to sign all certificates, contracts and other instruments of the Corporation. Unless a Chairman of the Board of Directors has been appointed and is present, the President shall preside at all meetings of the shareholders and of the Board of Directors. The President shall perform all such other duties as are incident to the office of President or are properly required by the Board of Directors.

(b) Vice-Presidents. During the absence or disability of the

President, the Executive or Senior Vice-Presidents, if any, and the Vice-Presidents, if any, in the order designated by the Board of Directors, shall exercise all the functions of the President. Each Vice-President shall have such powers and discharge such duties as may be assigned from time to time by the Board of Directors.

(c) The Secretary. The Secretary shall issue notices for all meetings,

except for notices for special meetings of the shareholders and special meetings of the directors which are called by the requisite percentage of shareholders or number of directors, shall keep minutes of all meetings, shall have charge of the seal and the Corporation's books, and shall make such reports and perform such other duties as are incident to the office of Secretary, or are properly required of him or her by the Board of Directors.

(d) The Treasurer. The Treasurer shall have the custody of all moneys

and securities of the Corporation and shall keep regular books of account. The Treasurer shall disburse the funds of the Corporation in payment of the just demands against the Corporation or as may be ordered by the Board of Directors, taking proper vouchers or receipts for such disbursements, and shall render to the Board of Directors from time to time as may be required an account of all transactions as Treasurer and of the financial condition of the Corporation. The Treasurer shall perform such other duties incident to his or her office or that are properly required of him or her by the Board of Directors.

4. Standards of Conduct for Officers.

(a) An officer with discretionary authority shall discharge such officer's duties under that authority:

(i) in good faith;

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(ii) with the care an ordinary prudent person in a like position would exercise under similar circumstances; and

(iii) in a manner the officer reasonably believes to be in the

best interests of the Corporation.

5. Delegation. In the case of absence or inability to act of any officer

of the Corporation and of any person herein authorized to act in such officer's place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may in its sole discretion select.

6. Vacancies. Vacancies in any office arising from any cause may be

filled by the Board of Directors at any regular or special meeting of the Board.

7. Other Officers. The Board of Directors, or a duly appointed officer

to whom such authority has been delegated by Board resolution, may appoint such other officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

8. Resignation. An officer may resign at any time by delivering notice to

the Corporation. Such notice shall be effective when delivered unless the notice specifies a later effective date. Any such resignation shall not affect the Corporation's contract rights, if any, with the officer.

9. Removal. Any officer elected or appointed by the Board of Directors

may be removed at any time, with or without cause, by the affirmative vote of a majority of the whole Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

10. Salaries and Contract Rights. The salaries, if any, of the officers

shall be fixed from time to time by the Board of Directors. The appointment of an officer shall not of itself create contract rights.

11. Bonds. The Board of Directors may, by resolution, require any and all

of the officers to give bonds to the Corporation, with sufficient surety or sureties, conditioned for the faithful performance of the duties of their respective offices, and to comply with such other conditions as may from time to time be required by the Board of Directors.

ARTICLE VI

Distributions and Finance

1. Distributions. The Board of Directors may authorize and the

Corporation may make distributions to its shareholders; provided that no distribution may be made if, after giving it effect, either:

(a) The Corporation would not be able to pay its debts as they become due in the usual course of business; or

(b) The Corporation's total assets would be less than the sum of its total liabilities plus the amount which would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

The Board of Directors may authorize distributions to holders of record at the close of business on any business day prior to the date on which the distribution is made. If the Board of Directors does not fix a record date for determining shareholders entitled to a distribution, the record date shall be the date on which the Board of Directors authorizes the distribution.

2. Measure of Effect of a Distribution. For purposes of determining

whether a distribution may be authorized by the Board of Directors and paid by the Corporation under Article VI, Section 1 of these Bylaws, the effect of the distribution is measured:

(a) In the case of a distribution of indebtedness, the terms of which provide that payment of principal and interest are made only if and to the extent that payment of a distribution to shareholders could then be made under this section, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is actually made; or

(b) In the case of any other distribution:

(i) if the distribution is by purchase, redemption, or other acquisition of the Corporation's shares, the effect of the distribution is measured as of the earlier of the date any money or other property is transferred or debt incurred by the Corporation, or the date the shareholder ceases to be a shareholder with respect to the acquired shares;

(ii) if the distribution is of an indebtedness other than described in subsection 2(a) and (b)(i) of this section, the effect of the distribution is measured as of the date the indebtedness is distributed; and

(iii) in all other cases, the effect of the distribution is measured as of the date the distribution is authorized if payment occurs within

120 days after the date of authorization, or the date the payment is made if it occurs more than 120 days after the date of authorization.

3. Depositories. The monies of the Corporation shall be deposited in the -----
name of the Corporation in such bank or banks or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check or other order for payment of money signed by such persons and in such manner as may be determined by resolution of the Board of Directors.

ARTICLE VII

Notices

Except as may otherwise be required by law, any notice to any shareholder or director must be in writing and may be transmitted by: mail, private carrier or personal delivery; telegraph or teletype; or telephone, wire or wireless equipment which transmits a facsimile of the notice. Written notice by the Corporation to its shareholders shall be deemed effective when mailed, if mailed with first-class postage prepaid and correctly addressed to the shareholder's address shown in the Corporation's current record of shareholders. Except as set forth in the previous sentence, written notice shall be deemed effective at the earliest of the following: (i) when received; (ii) five days after its deposit in the United States mail, as evidenced by the postmark, if mailed with first-class postage, prepaid and correctly addressed; or (iii) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and receipt is signed by or on behalf of the addressee.

ARTICLE VIII

Seal

The Corporation may adopt a corporate seal which seal shall be in such form and bear such inscription as may be adopted by resolution of the Board of Directors.

ARTICLE IX

Indemnification of Officers,

Directors, Employees and Agents

1. Definitions. For purposes of this Article:

(a) "Corporation" includes any domestic or foreign predecessor entity of the Corporation in a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(b) "Director" means an individual who is or was a director of the Corporation or an individual who, while a director of the Corporation, is or was serving at the Corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. A director is considered to be serving an employee benefit plan at the Corporation's request if the director's duties to the Corporation also impose duties on, or otherwise involve services by, the director to the plan or to participants in or beneficiaries of the plan. "Director" includes, unless the context requires otherwise, the estate or personal representative of a director.

(c) "Expenses" include counsel fees.

(d) "Liability" means the obligation to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.

(e) "Official capacity" means: (i) When used with respect to a director, the office of director in the Corporation; and (ii) when used with respect to an individual other than a director, as contemplated in Section 6 of this Article IX, the office in the Corporation held by the officer or the employment or agency relationship undertaken by the employee or agent on behalf of the Corporation. "Official capacity" does not include service for any other foreign or domestic corporation or any partnership, joint venture, trust, employee benefit plan, or other enterprise.

(f) "Party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

(g) "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal.

2. Right to Indemnification.

(a) The Corporation shall indemnify any person who was or is a party to any proceeding, whether or not brought by or in the right of the Corporation, by reason of the fact that such person is or was a director of the Corporation, against all reasonable expenses incurred by the director in connection with the proceeding.

(b) Except as provided in subsection (e) of this Section 2, the Corporation shall indemnify an individual made a party to a proceeding because

the individual is or was a director against liability incurred in the proceeding if:

(i) The individual acted in good faith; and

(ii) The individual reasonably believed:

(A) In the case of conduct in the individual's official capacity with the Corporation, that the individual's conduct was in the Corporation's best interests; and

(B) In all other cases, that the individual's conduct was at least not opposed to the Corporation's best interests; and

(iii) In the case of any criminal proceeding, the individual had no reasonable cause to believe the individual's conduct was unlawful.

(c) A director's conduct with respect to an employee benefit plan for a purpose the director reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirement of subsection (b) (ii) of this Section 2.

(d) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the standard of conduct described in this Section.

(e) The Corporation shall not indemnify a director under this Section 2:

(i) In connection with a proceeding by or in the right of the Corporation in which the director was adjudged liable to the Corporation; or

(ii) In connection with any other proceeding charging improper personal benefit to the director, whether or not involving action in the director's official

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capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received by the director.

(f) Indemnification under this Article IX, Section 2 in connection with a proceeding by or in the right of the Corporation is limited to reasonable expenses incurred in connection with the proceeding.

3. Advance for Expenses.

(a) The Corporation shall pay for or reimburse the reasonable

expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding and in advance of any determination and authorization of indemnification pursuant to Section 5 of this Article IX if:

(i) The director furnishes the Corporation a written affirmation of the director's good faith belief that the director has met the standard of conduct described in Section 2 of this Article IX; and

(ii) The director furnishes the Corporation a written undertaking, executed personally or on the director's behalf, to repay the advance if it is ultimately determined that the director did not meet the standard of conduct.

(b) The undertaking required by subsection (a)(i) of this Section 3 must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment.

4. Court-ordered Indemnification. A director of the Corporation who is a ----- party to a proceeding may apply for indemnification or advance of expenses to the court conducting the proceeding or to another court of competent jurisdiction. On receipt of an application, the court after giving any notice the court considers necessary may order indemnification or advance of expenses if it determines:

(a) The director is entitled to mandatory indemnification pursuant to RCW 23B.08.520, in which case the court shall also order the Corporation to pay the director's reasonable expenses incurred to obtain court-ordered indemnification;

(b) The director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director met the standard of conduct set forth in Section 2 of this Article IX, or was adjudged liable as described in Section 2(e) of this Article IX, but if the director was adjudged so liable, the director's indemnification is limited to reasonable expenses incurred; or

(c) In the case of an advance of expenses, the director is entitled pursuant to the Articles of Incorporation, Bylaws, or any applicable resolution or contract, to payment or reimbursement of the director's reasonable expenses incurred as a party to the proceeding in advance of final disposition of the proceeding.

5. Determination and Authorization of Indemnification.

(a) The Corporation shall not indemnify a director under this Article IX unless authorized in the specific case after a determination has been

made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in Section 2(b) of this Article IX.

(b) The determination shall be made:

(i) By the Board of Directors by majority vote of a quorum consisting of directors not at the time parties to the proceeding;

(ii) If a quorum cannot be obtained under (i) of this subsection, by majority vote of a committee duly designated by the Board of Directors, in which designation directors who are parties may participate, consisting solely of two or more directors not at the time parties to the proceeding;

(iii) By special legal counsel:

(A) Selected by the Board of Directors or its committee in the manner prescribed in (i) or (ii) of this subsection; or

(B) If a quorum of the Board of Directors cannot be obtained under (i) of this subsection and a committee cannot be designated under (ii) of this subsection, selected by majority vote of the full Board of Directors, in which selection directors who are parties may participate; or

(iv) By the shareholders, but shares owned by or voted under the control of directors who are at the time parties to the proceeding may not be voted on the determination.

(c) Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination is made by special legal counsel, authorization of indemnification and evaluation as to reasonableness of expenses shall be made by those entitled under subsection (b) (iii) of this Section to select counsel.

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6. Indemnification of Officers

(a) An officer of the Corporation who is not a director shall be indemnified pursuant to RCW 23B.08.520, and is entitled to apply for court-ordered indemnification under Section 4 of this Article IX, in each case to the same extent as a director; and

(b) The Corporation shall indemnify and advance expenses to an officer who is not a director to the same extent as to a director under this Article IX.

(c) The Corporation may also indemnify and advance expenses to an officer who is not a director to the extent, consistent with law, that may be provided by a general or specific action of its Board of Directors, or contract.

7. Indemnification of Employees and Agents.

(a) The Corporation may indemnify employees and agents of the Corporation pursuant to RCW 23B.08.520, and may afford the right to such employees or agents to apply for court-ordered indemnification under Section 4 of this Article IX, in each case to the same extent as a director; and

(b) The Corporation may indemnify and advance expenses to an employee or agent of the Corporation who is not a director to the same extent as to a director under this Article IX.

(c) The Corporation may also indemnify and advance expenses to an employee or agent who is not a director to the extent, consistent with law, that may be provided by a general or specific action of its Board of Directors, or contract.

8. Insurance. The Corporation may purchase and maintain insurance on

behalf of an individual who is or was a director; officer; employee, or agent of the Corporation, or who, while a director; officer; employee, or agent of the Corporation, is or was serving at the request of the Corporation as a director; officer; partner; trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust employee benefit plan, or other enterprise, against liability asserted against or incurred by the individual in that capacity or arising from the individual's status as a director; officer, employee, or agent, whether or not the Corporation would have power to indemnify the individual against the same liability under this Article IX.

9. Indemnification as a Witness. This Article IX does not limit a

Corporation's power to pay or reimburse expenses incurred by a director in connection with the director's appearance as a witness in a proceeding at a time when the director has not been made a named defendant or respondent to the proceeding.

10. Report to Shareholders. If the Corporation indemnifies or advances

expenses to a director pursuant to this Article IX in connection with a proceeding by or in the right of the Corporation, the Corporation shall report the indemnification or advance in writing to the shareholders with or before the notice of the next shareholders' meeting.

11. Shareholder Authorized Indemnification.

(a) If authorized by a resolution adopted or ratified, before or after the event, by the shareholders of the Corporation, the Corporation shall have the power to indemnify or agree to indemnify a director made a party to a proceeding, or obligate itself to advance or reimburse expenses incurred in a proceeding, without regard to the limitations contained in this Article IX (other than this Section 11); provided that no such indemnity shall indemnify any director from or on account of:

(i) Acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of law;

(ii) Conduct of the director finally adjudged to be an unlawful distribution under RCW 23B.08.310; or

(iii) Any transaction with respect to which it was finally adjudged that such director personally received a benefit in money, property, or services to which the director was not legally entitled.

(b) Unless a resolution adopted or ratified by the shareholders of the Corporation provides otherwise, any determination as to any indemnity or advance of expenses under subsection (a) of this Section 11 shall be made in accordance with Section 5 of this Article IX.

12. Validity of Indemnification. A provision addressing the Corporation's -----
indemnification of or advance for expenses to directors that is contained in these Bylaws, a resolution of its shareholders or Board of Directors, or in a contract or otherwise, is valid only if and to the extent the provision is consistent with RCW 23B.08.500 through 23B.08.580.

13. Interpretation. The provisions contained in this Article IX shall be -----
interpreted and applied to provide indemnification to directors, officers, employees and agents of the Corporation to the fullest extent allowed by applicable law, as such law may be amended, interpreted and applied from time to time.

14. Savings Clause. If this Article IX or any portion thereof shall be -----
invalidated on any ground by any court of competent jurisdiction, the Corporation shall nevertheless

indemnify each director as to reasonable expenses and liabilities with respect to any proceeding, whether or not brought by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article IX that shall not have been invalidated, or by any other applicable law.

15. Nonexclusivity of Rights. The right to indemnification under this

Article IX for directors, officers, employees and agents shall not be exclusive of any other right which any person may have, or hereafter acquire, under any statute, provision of the Articles of Incorporation, Bylaws, other agreement, vote of shareholders or disinterested directors, insurance policy, principles of common law or equity, or otherwise.

ARTICLE X

Books and Records

The Corporation shall maintain appropriate accounting records and shall keep as permanent records minutes of all meetings of its shareholders and Board of Directors, a record of all actions taken by the shareholders or the Board of Directors without a meeting and a record of all actions taken by a committee of the Board of Directors. In addition, the Corporation shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders in alphabetical order by class of shares showing the number and class of the shares held by each. Any books, records and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

The Corporation shall keep a copy of the following records at its principal office:

1. The Articles or Restated Articles of Incorporation and all amendments thereto currently in effect;
2. The Bylaws or Restated Bylaws and all amendments thereto currently in effect;
3. The minutes of all shareholders' meetings, and records of all actions taken by shareholders without a meeting, for the past three years;
4. Its financial statements for the past three years, including balance sheets showing in reasonable detail the financial condition of the Corporation as of the close of each fiscal year, and an income statement showing the results of its operations during each fiscal year prepared on the basis of generally accepted accounting principles or, if not, prepared on a basis explained therein;

5. All written communications to shareholders generally within the past three years;

6. A list of the names and business addresses of its current directors and officers; and

7. Its most recent annual report delivered to the Secretary of State of Washington.

ARTICLE XI

Amendments

1. By Shareholders. These Bylaws may be amended or repealed by the

shareholders in the manner set forth in Article II, Section 9 of these Bylaws at any regular or special meeting of the shareholders.

2. By Directors. The Board of Directors shall have power to amend or

repeal the Bylaws of, or adopt new bylaws for, the Corporation. However, any such Bylaws, or any alteration, amendment or repeal of the Bylaws, may be subsequently changed or repealed by the holders of a majority of the stock entitled to vote at any shareholders' meeting.

3. Emergency Bylaws. The Board of Directors may adopt emergency Bylaws,

subject to repeal or change by action of the shareholders, which shall be operative during any emergency in the conduct of the business of the Corporation resulting from an attack on the United States, any state of emergency declared by the federal government or any subdivision thereof, or any other catastrophic event.

Restated by resolution of the Corporation's Board of Directors on July 16, 1996.

/s/ Michael J. Kennedy

Michael J. Kennedy, Secretary

CELL THERAPEUTICS, INC.
SERIES A CONVERTIBLE PREFERRED STOCK,
without par value
STOCK PURCHASE AGREEMENT

as of September 17, 1996

Cell Therapeutics, Inc.
201 Elliott Avenue West, Suite 400
Seattle, Washington 98119

Gentlemen:

This Stock Purchase Agreement ("Agreement") is made by and between Cell Therapeutics, Inc., a Washington corporation ("CTI" or the "Company"), and the undersigned prospective purchasers (each, an "Investor," and collectively, the "Investors") who are subscribing hereby for up to an aggregate of 44,776.119 shares (the "Shares") of the Company's Series A Convertible Preferred Stock, without par value (the "Preferred Stock"), pursuant to the terms set forth herein. The Shares and the Conversion Shares (as defined herein) are herein referred to collectively as the "Securities."

In consideration of the Company's agreement to sell Shares to each Investor, and each Investor's agreement to purchase Shares from the Company, all on the terms and subject to the conditions contained herein, each of the Company and each Investor agrees and represents as follows:

A. SUBSCRIPTION

1. Subject to the terms and conditions of this Agreement, each Investor hereby subscribes for and agrees to purchase, and the Company agrees to sell, the number of Shares indicated on the signature pages hereto at a purchase price of \$335.00 per share, for the consideration set forth on the signature pages hereto (the "Subscriptions").

2. (a) The closing (the "Closing") of the purchase of the Shares provided for in Section A.1 shall take place at the offices of the Company, 201 Elliott Avenue West, Suite 400, Seattle, Washington, at 10:00 A.M. (Seattle time) on September 17, 1996 or at such other place or such other time or date as the Company and the Investors may agree.

(b) At the Closing, against delivery by the Investors of payment

therefor to the account of the Company at First Interstate Bank of Oregon, N.A., Portland,

Oregon, ABA # 123-000-123, NW Trust Custody T-13, Account Number 450878, Attention: Ramona Steinbrugge or Luann Bird, Reference: Cell Therapeutics, Inc., and subject to the satisfaction of all conditions precedent set forth herein, the Company will deliver to each Investor a certificate or certificates evidencing the number of Shares purchased by such Investor, registered in such Investor's name.

B. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to, and agrees with, the Investors as follows:

1. The Company is a corporation duly incorporated and validly existing under the laws of the State of Washington and is duly licensed or qualified as a foreign corporation in each other jurisdiction where the nature of business transacted by it makes such licensing or qualification necessary. The Company has the corporate power and authority and the legal right, to own and operate its properties and to carry on its business as currently conducted, to execute deliver, and perform this Agreement and that certain Registration Rights Agreement, dated as of the Closing Date, among the Company and the Investors and substantially in the form annexed hereto as Exhibit A (the "Registration Rights Agreement"), to issue, sell and deliver the Shares, to issue and deliver the shares of Common Stock, no par value, of the Company ("Common Stock"), issuable upon conversion of the Shares ("Conversion Shares") and in all other respects to consummate the transactions contemplated hereby and thereby.

2. The Company does not own any shares of any corporation or have any ownership or other investment interest, either of record, beneficially or equitably, in any association, partnership, joint venture or other legal entity.

3. The execution and delivery by the Company of this Agreement and the Registration Rights Agreement, the performance by the Company of its obligations hereunder and thereunder, the issuance, sale and delivery by the Company of the Shares pursuant hereto and the issuance and delivery of the Conversion Shares upon conversion of the Shares, have been duly authorized by all requisite corporate action, including without limitation all requisite action on the part of the Company's shareholders, and will not violate any provision of law, any order of any court or other agency of government, the Articles of Incorporation or By-laws of the Company, any judgment award or decree or any provision of any indenture, agreement or other instrument, to which the Company is a party, or by which it, or any of its properties or assets, is bound or affected, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or

imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company,

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or result in any suspension, revocation, impairment, forfeiture or nonrenewal of any Governmental Permit (as hereinafter defined).

4. The Shares have been duly authorized by the Company and, when paid for in accordance with this Agreement, will be validly issued, fully paid and nonassessable shares of Preferred Stock. The Conversion Shares have been duly reserved for issuance upon conversion of the Shares and, when so issued, will be duly authorized, validly issued, fully paid and nonassessable shares of Common Stock. Neither the issuance, sale and delivery of the Shares nor the issuance and delivery of the Conversion Shares are subject to any preemptive rights of shareholders of the Company or to any right of first refusal or other similar right in favor of any person.

5. Each of this Agreement and the Registration Rights Agreement has been duly executed and delivered by the Company and, subject to due execution by the Investors, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its respective terms.

6. The authorized capital stock of the Company consists of 100,000,000 shares of Common Stock, of which 17,300,574 shares are issued and outstanding as of the date hereof, and 10,000,000 shares of preferred stock, no par value ("Existing Preferred Stock"), of which 150,000 shares have been authorized and designated as Preferred Stock, of which 95,447.004 shares are issued and outstanding as of the date hereof. All shares of capital stock outstanding as of the date hereof have been duly authorized and validly issued, and are fully paid and nonassessable. 15,000,000 shares of Common Stock have been reserved for issuance upon conversion of the Preferred Stock. The designations, preferences, limitations and relative rights of the Preferred Stock are set forth in the Certificate of Amendment to Articles of Incorporation of the Company, as set forth in Exhibit B annexed hereto (the "Articles of Amendment").

7. The Shares to be issued and delivered to the Investors pursuant to this Agreement shall be offered, issued and sold in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and any other applicable United States federal or state securities laws.

8. Except (a) for the obligations of the Company to the Investors under this Agreement, (b) as otherwise set forth in the SEC Reports, and (c) for stock options granted to employees, officers and consultants of the Company subsequent to the date of the SEC Reports pursuant to the Company's 1994 Equity Incentive Plan, (i) no subscription, warrant, option, convertible security or other right (contingent or other) to purchase or acquire any shares of any class of capital stock of the Company is authorized or outstanding, (ii) there is not

any commitment of the Company to issue any shares, warrants, options or other such rights or to distribute to holders of any class of its capital stock any evidences of

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indebtedness or assets and (iii) the Company has no obligation (contingent or other) to purchase, redeem or otherwise acquire any shares of the capital stock of the Company or any interest therein or to pay any dividend or make any other distribution in respect thereof.

9. (a) The Company has filed all forms, reports and documents required to be filed with the Securities and Exchange Commission (the "SEC") since April 29, 1996 and has made available to the Investors (i) its Registration Statement on Form 10, as amended by Amendment No. 2 thereto filed with the SEC on June 28, 1996; (ii) its Quarterly Report on Form 10-Q for the period ended June 30, 1996; (iii) all other reports or registration statements filed by the Company with the SEC since June 28, 1996; and (iv) all amendments and supplements to all such reports and registration statements filed by the Company with the SEC (collectively, the "SEC Reports"). The SEC Reports (i) were prepared in accordance with the requirements of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as the case may be, and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such amending or superseding filing) contain any untrue statement of a material fact or omit 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.

(b) Each of the financial statements (including, in each case, any related notes thereto) contained in the SEC Reports was prepared in accordance with United States generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated therein or in the notes thereto) and each fairly presented the financial position of the Company as at the respective dates thereof and the results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not expected to be material in amount.

10. Except as set forth in the SEC Reports, since June 30, 1996, the Company has conducted its business in the ordinary course and there has not occurred: (i) any change or effect that is or is reasonably likely to be materially adverse to the business, assets (including intangible assets), financial condition or results of operations of the Company taken as a whole, (ii) any amendments or changes in the Articles of Incorporation or By-laws of the Company, other than an amendment to the Company's By-laws adopted on July 16, 1996, (iii) any change by the Company in its accounting methods, principles or practices, (iv) any revaluation by the Company of any of its assets, (v) any sale of a material amount of property of the Company, (vi) any discharge or

satisfaction by the Company of any material lien, security interest, charge or other encumbrance or any payment by the Company of any material obligation or liability (fixed or contingent), other than in the ordinary course of business and consistent with past practice, (vii) any investment by the Company of a capital nature, whether by purchase of stock or securities, contributions

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to capital, property transfers or otherwise, in any other partnership, corporation or other entity, or any purchase by the Company of any material property or assets, (viii) any cancellation or compromise by the Company of any debt or claim other than in the ordinary course of business consistent with past practice, (ix) any waiver or release by the Company of any rights of material value, including, without limitation, any Intangible Rights (as hereinafter defined), (x) any material wage or salary increase by the Company applicable to any group or classification of employees generally, or any material employment contract with, loan to, or material transaction of any other nature with, any officer or employee of the Company, or (xi) any establishment by the Company of any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974.

11. Except as and to the extent (i) reflected in the financial statements contained in the SEC Reports or (ii) incurred since June 30, 1996 in the ordinary course of business and consistent with past practice, the Company has no liabilities or obligations of any kind or nature, whether secured or unsecured (whether absolute, accrued, contingent or otherwise, and whether due or to become due), including without limitation any tax liabilities due or to become due, or whether incurred in respect of or measured by the assets, sales, income or receipts of the Company for any period, which liabilities or obligations would be required to be reflected on a balance sheet of the Company as of December 31, 1995, prepared in accordance with generally accepted accounting principles.

12. No order, authorization, approval or consent from, or filing with, any federal or state governmental or public body or other authority having jurisdiction over the Company is required for the valid execution (where called for), delivery and performance of this Agreement or the Registration Rights Agreement by the Company, the issuance, sale and delivery of the Shares or, upon conversion of the Shares, the issuance and delivery of the Conversion Shares, or is required in order that the business of the Company can be conducted immediately following the Closing Date substantially in the same manner as heretofore conducted, except for those that have been made and obtained, and for those filings under state "blue sky" laws which are now not required to be made or obtained.

13. Except as set forth in the SEC Reports, the Company has good and valid title to all its assets and properties, in each case free and clear of all liens, charges, security interests or other encumbrances of any nature whatsoever, other than (x) liens for taxes not yet due, (y) mechanic's, materialman's and similar statutory liens arising in the ordinary course of

business and which, in the aggregate, would not have a material adverse effect on the business, properties or condition (financial or other) of the Company, or (z) security interests securing indebtedness not in default for the purchase price of or lease rental payments on property purchased or leased under capital lease arrangements in the ordinary course of business.

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14. Except as is set forth in the SEC Reports, the Company complies with its contractual obligations relating to the protection of such of the patents, trademarks and trade names, trademark and trade name registrations, logos, servicemark registrations, copyright registrations, all applications pending on the date hereof for patent or for trademark, trade name, servicemark or copyright registrations, and all other material proprietary rights (collectively "Intangible Rights") used by it pursuant to licenses or other contracts, the Company has the right to its Intangible Rights for the purposes intended thereby, and to conduct its business as heretofore conducted, and the consummation of the transactions contemplated hereby will not alter or impair any such Intangible Rights, and, to the knowledge of the Company, all such Intangible Rights that are capable of being enforced are valid, enforceable and in good standing, and no claims have been asserted with respect to the ownership by the Company of any of the Intangible Rights or otherwise. To the knowledge of the Company, except as is set forth in the SEC Reports (i) no person is infringing an Intangible Right owned by the Company and (ii) the Company is not infringing any valid patent, copyright or trademark owned by any third party.

15. Except as set forth in the SEC Reports, there are no material claims, actions, suits, proceedings or investigations pending or, to the knowledge of the Company, threatened, by or against the Company or any of its properties, assets, rights or businesses. No such pending or threatened claims, actions, suits, proceedings or investigations, if adversely determined, would, individually or in the aggregate, have a material adverse effect on the business, properties or condition (financial or other) of the Company. Except as set forth in the SEC Reports, the Company knows of no basis for any other such claim, action, suit, proceeding or investigation which, if adversely decided, would have such a material adverse effect. Except as set forth in the SEC Reports, there are no actions, suits, proceedings or claims pending before or by any court, arbitrator, regulatory authority or government agency against or affecting the Company that might enjoin or prevent the consummation of the transactions contemplated by this Agreement or the Registration Rights Agreement.

16. The Company has duly and timely filed or caused to be filed (or obtained valid, currently effective extensions for filing) all Federal, state, local and foreign income, franchise, excise, payroll, sales and use, property, withholding and other tax returns, reports, estimates and information and other statements or returns (collectively "Tax Returns") required to be filed by or on behalf of it pursuant to any applicable Federal, state, local or foreign tax laws for all years and periods for which such Tax Returns have become due. All such Tax Returns were correct in all material respects as filed and correctly

reflect the Federal, state, local and foreign income, franchise, excise, payroll, sales and use, property, withholding and other taxes, duties, imposts and governmental charges (and charges in lieu of any thereof), together with interest, any additions to tax and penalties (collectively "Taxes") required to be paid or collected by (or allocable to) the Company. The Company (i) has paid or caused to be paid all Taxes as shown on Tax Returns filed by it or on any assessment received by it and (ii) has properly and fully accrued on its audited and

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interim unaudited financial statements all Taxes for any period from the date of the last reporting period covered by such Tax Returns. There is no audit pending or threatened in writing, and, to the knowledge of the Company, there is no dispute or claim being threatened by any relevant taxing authority concerning any Tax Return or liability for Taxes. Without limiting the foregoing, the Company has withheld or collected from each payment made to each of its employees (or has otherwise paid or made provision for) the amount of all Taxes (including, but not limited to, Federal income taxes, Federal Insurance Contribution Act taxes, state and local income and wage taxes, payroll taxes, worker's compensation and unemployment compensation taxes) required to be withheld or collected therefrom, and the Company has paid (or caused to be paid) the same in respect of its employees when due.

17. (a) The Company has all material governmental licenses, franchises and permits ("Governmental Permits") required under applicable law for the conduct of its business as currently conducted, including, without limitation, all such licenses, franchises and permits as are required for laboratory use, manufacturing, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances.

(b) The business of the Company is being conducted in material compliance with all applicable laws, ordinances, rules and regulations of all governmental authorities relating to the Company's properties or applicable to its business, including without limitation the terms of all Governmental Permits, federal securities laws, and laws relating to safe working conditions, laboratory and manufacturing practices (including current Good Manufacturing Practices prescribed by the U.S. Food and Drug Administration ("FDA")), the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances (including, without limitation, radioactive compounds and solvents). The Company has not received any notice from any third party of any alleged violation of any of the foregoing.

(c) Neither the Company nor any of its properties, operations or businesses is subject to any order, judgment, injunction or decree. To the knowledge of the Company, no action has been taken or recommended by any governmental or regulatory official, body or authority, either to revoke, withdraw or suspend any certificate of need or any license to operate the Company.

18. (a) No collective bargaining agreement is applicable to any employees of the Company. There are no disputes between the Company and any such employees that might reasonably be expected to materially adversely affect the conduct of its business or any unresolved labor union grievances or unfair labor practice or labor arbitration proceedings pending, or to the knowledge of the Company, threatened, relating to the business of the Company. To the knowledge of the Company, there are not any organizational efforts presently being made or threatened involving any of such employees. The Company has not received notice of any claim that the Company has failed to comply with

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any laws relating to employment, including any provisions thereof relating to wages, hours, collective bargaining, the payment of social security and other payroll or similar taxes, equal employment opportunity, employment discrimination and employment safety, or that the Company is liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing except for routine non-material grievances.

(b) There are no proceedings pending or, to the knowledge of the Company, threatened before the National Labor Relations Board with respect to any employees of the Company. There are no discrimination charges (relating to sex, age, religion, race, national origin, ethnicity, handicap or veteran status) pending before any Federal or state agency or authority against the Company.

19. The Company is a named insured under all policies of fire, liability, workers' compensation, malpractice and professional liability and other forms of insurance providing insurance coverage to or for the Company. All premiums with respect to such policies covering all periods have been paid. No notice of cancellation or termination has been received with respect to any such policy. All such policies are in full force and effect and will remain in full force and effect to and including the Closing Date, and coverage thereunder will continue to be in effect immediately after the Closing Date, without limit as to time, for occurrences prior to the Closing Date.

20. All real property leased by the Company are used and operated by the Company in material compliance and conformity with all applicable leases. The Company has not received notice of any material violation of any applicable zoning or building regulation, ordinance or other law, order, regulation or requirement relating to the respective real estate assets of the Company and, to the knowledge of the Company, there are no such material violations.

21. All tangible personal property, fixtures and equipment comprising the assets of the Company are in a good state of repair (ordinary wear and tear excepted) and operating condition, in all material respects, and are sufficient and adequate to conduct its business on the date hereof.

22. For the purposes of this Section B(22), the following terms shall have the following meanings:

"Environmental Law" means any federal, state, provincial or local statute, law, ordinance, rule or regulation of the United States and any other jurisdiction within the United States now effective and any order, to which the Company is a party or is otherwise directly bound, of the United States or other jurisdiction within the United States now effective relating to: (a) pollution or protection of the environ-

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ment, including natural resources; or (b) exposure of persons, including employees, to Hazardous Substances;

"Hazardous Substances" means any substance, whether liquid, solid or gas (a) listed, identified or designated as hazardous or toxic under any Environmental Law, (b) which, applying criteria specified in any Environmental Law, is hazardous or toxic, or (c) the use or disposal of which is regulated under Environmental Law.

(a) No Hazardous Substances have been, or have been threatened to be, discharged, released or emitted into the air, water, surface water, ground water, land surface or subsurface strata or transported to or from the property of the Company except in accordance with Environmental Law and except for incidental release of Hazardous Substances in amounts or concentrations which would not reasonably be expected to give rise to any claims or liabilities against the Company under Environmental Law.

(b) The Company has not received any notification from a governmental agency that there is any material violation of any Environmental Law with respect to the business and properties of the Company and the Company has not received any notification from a governmental agency pursuant to Section 104, 106 or 107 of the Comprehensive Environmental Response Compensation and Liability Act, as amended.

23. (a) Neither the Company nor, to the knowledge of the Company, any officer, director, employee or agent of the Company, nor any other person or entity acting on behalf of the Company, acting alone or together, has (i) received, directly or indirectly, any rebates, payments, commissions, promotional allowances or any other economic benefits, regardless of their nature or type, from any customer, governmental employee or other person or entity with whom the Company has conducted business activities directly or indirectly, or (ii) directly or indirectly, given or agreed to give any gift or similar benefit to any customer, governmental employee or other person or entity who is or may be in a position to help or hinder the business of the Company (or assist the Company in connection with any actual or proposed transaction) which, under current law, in the case of either clause (i) or clause (ii) above, would reasonably be expected to subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding.

(b) To the knowledge of the Company, no employee, officer or director

of the Company, has been debarred under (S)306(a) or (S)306(b) of the Federal Food, Drug and Cosmetic Act or has, within the last five years, been convicted of (x) a criminal offense relating to the development or approval process of any drug product, or (y) a felony involving bribery, payment of illegal gratuities, fraud, perjury, false statements, racketeering, blackmail, extortion, falsification or destruction of records, or interference with, obstruction of an investigation into, or prosecution of, any criminal offense or a conspiracy to commit, aid or abet such felony.

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24. No person authorized by the Company as agent, broker, dealer or otherwise in connection with the offering or sale of the Shares, or any similar securities, has taken or will take any action (including, without limitation, any offer or sale of any securities under circumstances which would require the integration of such securities with the Shares being issued and sold hereunder under the Securities Act, or the rules and regulations of the SEC thereunder), which would subject such offer and sale to the registration provisions of the Securities Act.

25. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by the Company directly with the Investors, without the intervention of any person on behalf of the Company in such manner as to give rise to any claim by any person against any Investor for a finder's fee, brokerage commission or similar payment.

C. REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

Each Investor, severally, hereby represents and warrants to, and agrees with, the Company as follows:

1. Each of this Agreement and the Registration Rights Agreement have been duly authorized, executed and delivered by the Investor and constitute the legal, valid and binding obligations of the Investor, enforceable against the Investor in accordance with their respective terms.

2. The Investor acknowledges its understanding that the offering and sale of the Shares to be purchased hereto by the Investor are intended to be exempt from registration under the Securities Act. In furtherance thereof, the Investor represents and warrants to the Company that the Investor is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act ("Regulation D").

3. The Investor has been advised and understands that the Securities have not been registered under the Securities Act. The Investor, by purchasing the Shares, agrees for the benefit of the Company that the Securities may be resold, pledged or otherwise transferred only (1) to the Company (upon, exchange or redemption thereof or otherwise), (2) if the Company is then subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and the Securities are eligible for resale pursuant to Rule 144A under the Securities

Act ("Rule 144A"), to a person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A, (3) in an offshore transaction in accordance with Rule 904 of Regulation S under the Securities Act, but only in the case of a transfer that is effected by the delivery to the transferee of definitive Securities registered in

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its name (or in its nominee's name) on the books maintained by the Company, (4) pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act (if available and upon delivery of an opinion of counsel satisfactory in form and substance to the Company, if requested by the Company), (5) pursuant to an effective registration statement under the Securities Act, or (6) pursuant to any other exemption from registration under the Securities Act, provided an opinion of counsel is furnished reasonably satisfactory in form and substance to the Company, stating that an exemption from the registration requirements of the Securities Act is available, in each case in accordance with any applicable securities laws of any state of the United States. The Investor is acquiring the Shares to be purchased by it for its own account for investment, and not with a view to, or for resale in connection with, the distribution thereof, and has no present intention of distributing or reselling any of the Securities.

4. The Investor is familiar with the business and operations of the Company and understands and has evaluated the merits and risks of a purchase of the Securities. The Investor has carefully considered and has, to the extent the Investor believes such discussion necessary, discussed with the Investor's professional legal, tax, accounting and financial advisors the suitability of an investment in the Securities and has determined that the Shares being subscribed for by the Investor are a suitable investment for the Investor.

5. The Investor: (i) has a pre-existing business relationship with the Company or any of its officers, directors or controlling persons or (ii) by reason of the Investor's business or financial experience, or by reason of the business or financial experience of the Investor's professional advisors who are unaffiliated with and who are not compensated by the Company or any affiliate of the Company, directly or indirectly, has the capacity to protect the Investor's interest in connection with the investment in the Securities.

6. The Company has made available to the Investor all documents and information that the Investor has requested relating to an investment in the Securities. The Investor has been given the opportunity to ask questions of, and has received answers from, the Company with respect to the business of the Company, the financial condition of the Company, the terms and conditions of this investment and other matters pertaining to an investment in the Company, and the Investor has been given the opportunity to obtain such additional information necessary to verify the accuracy of the information that was

provided in order for the Investor to evaluate the merits and risks of an investment in the Company.

7. The Investor recognizes that the Company has incurred substantial accumulated net losses to date and expects to continue to incur operating losses. The Investor also recognizes that an investment in the Company involves substantial risk and could afford a complete loss of such investment.

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8. If this Agreement is executed and delivered on behalf of a partnership, corporation, trust or estate: (i) such partnership, corporation, trust or estate has the full legal right and power and all authority and approval required (a) to execute and deliver, or authorize execution and delivery of, this Agreement and all other instruments executed and delivered by or on behalf of such partnership, corporation, trust or estate, in connection with the purchase of the Shares, (b) to delegate authority pursuant to a power of attorney and (c) to purchase such Shares and hold the Securities; (ii) the signature of the party signing on behalf of such partnership, corporation, trust or estate is binding on such partnership, corporation, trust or estate; and (iii) such partnership, corporation or trust has not been formed for the specific purpose of acquiring such Shares, unless each beneficial owner of such entity is an accredited investor within the meaning of Rule 501(a) of Regulation D.

9. The Investor is not subscribing for the Shares as a result of, or, to the Investor's knowledge, subsequent to, any general solicitation or advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or meeting.

10. The Investor acknowledges that the Company is entering into this Agreement in reliance upon the Investor's representations and warranties in this Agreement, including, without limitation, those set forth in this Section C.

11. The Investor agrees to provide such additional information, representations and agreements as the Company may reasonably request in order to assure compliance with all United States federal and state securities laws applicable to the offer or sale of the Shares to be purchased by it; provided, -----
that, the Investor shall not be obligated to provide the Company with a copy of ----
its or any of its affiliates' partnership agreement.

D. CERTAIN UNDERSTANDINGS OF THE INVESTORS

Each Investor understands, acknowledges and agrees with the Company as follows:

1. The offering and sale of the Securities is intended to be exempt

from registration under the Securities Act by virtue of Section 4(2) of the Securities Act which is in part dependent upon the truth, completeness and accuracy of the statements made by the Investor herein. There is no public trading market for the Securities and none is expected to develop.

2. The Shares are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that (A) if within three years after the date of original issuance of the Shares it decides to resell, pledge or otherwise transfer the Securities, the Securities may be resold, pledged or transferred only (i) to the

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Company (upon exchange, redemption or otherwise), (ii) if the Company is then subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and such Security is eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a Qualified Institutional Buyer ("QIB") within the meaning of Rule 144A, (iii) in an offshore transaction in accordance with Rule 904 of Regulation S, but only in the case of a transfer that is effected by the delivery to the transferee of definitive securities registered in its name (or its nominee's name) on the books maintained by the Company, (iv) pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act (if available and upon delivery of an opinion of counsel satisfactory in form and substance to the Company, if requested by the Company), (v) pursuant to an effective registration statement under the Securities Act, or (vi) pursuant to any other exemption from registration under the Securities Act, provided an opinion of counsel is furnished reasonably satisfactory in form and substance to the Company, stating that an exemption from the registration requirements of the Securities Act is available, in each case in accordance with any applicable securities laws of any state of the United States and (B) the Investor will, and each subsequent holder is required to, notify any purchaser of the Securities from it of the resale restrictions referred to in (A) above, if then applicable.

3. Except as provided in the Registration Rights Agreement, the Company is under no obligation to register the Securities on behalf of the Investor.

4. The Investor acknowledges that the information furnished to the Investor by the Company in connection with this Subscription is confidential and non-public and agrees that all such information shall be kept in confidence by the Investor and neither used by the Investor to the Investor's personal benefit (other than in connection with this Subscription) nor disclosed to any third party for any reason; provided, however, that this obligation shall not apply to

any such information which (a) is part of the public knowledge or literature and readily accessible by publication (except as a result of a breach of this provision); (b) becomes part of the public knowledge or literature and readily accessible by publication (except as a result of a breach of this provision); or (c) is received from third parties (except third parties who disclose such information in violation of any confidentiality agreements including, without

limitation, any subscription agreement they may have entered into with the Company). Notwithstanding the foregoing, if the Investor has been requested or is required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any such confidential information, the Investor will notify the Company of such request(s) so that the Company may seek an appropriate protective order or waive the Investor's compliance with the provisions of this Section D.4. If, in the absence of a protective order or the receipt of a waiver hereunder, the Investor is nonetheless compelled to disclose such confidential information or else stand liable for contempt or suffer other censure or other penalty, the Investor may disclose such confidential information pursuant to such requests or requirements without liability hereunder.

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5. The following legend(s) will be placed on the Securities, unless otherwise agreed by the Company:

(a) THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF CELL THERAPEUTICS, INC. ("THE COMPANY") THAT THIS SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY (UPON EXCHANGE OR REDEMPTION THEREOF OR OTHERWISE), (2) IF THE COMPANY IS THEN SUBJECT TO THE REPORTING REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT AND THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, BUT ONLY IN THE CASE OF A TRANSFER THAT IS EFFECTED BY THE DELIVERY TO THE TRANSFEREE OF DEFINITIVE SECURITIES REGISTERED IN ITS NAME (OR IN ITS NOMINEE'S NAME) ON THE BOOKS MAINTAINED BY THE COMPANY, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE AND UPON DELIVERY OF AN OPINION OF COUNSEL SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY, IF REQUESTED BY THE COMPANY), (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (6) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED AN OPINION OF COUNSEL IS FURNISHED REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY, STATING THAT AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(b) IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED OR PASSED ON THE ACCURACY OR ADEQUACY OF THE

SECURITIES OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION WITH THE INVESTOR'S PURCHASE OF THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

(c) THIS OFFERING IS BEING MADE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF SECURITIES THAT DO NOT INVOLVE A PUBLIC OFFERING. THE SECURITIES OFFERED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THERE IS CURRENTLY NO PUBLIC OR OTHER MARKET FOR THE SHARES OF CELL THERAPEUTICS, INC. COMMON STOCK, AND THERE CAN BE NO ASSURANCE THAT A PUBLIC OR OTHER MARKET WILL DEVELOP. EACH PROSPECTIVE INVESTOR SHOULD PROCEED ONLY ON THE ASSUMPTION THAT SUCH PROSPECTIVE INVESTOR MAY HAVE TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

6. The Investor agrees not to sell, transfer, encumber or otherwise dispose of any Securities owned by it in contravention of Section D.5(a).

E. CONDITIONS TO CLOSING

1. The obligation of each Investor to purchase and pay for the Shares being purchased by it on the Closing Date is, at its option, subject to the satisfaction, on or before such date, of the following conditions:

(a) The representations and warranties of the Company contained in Section B hereof shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and the Company shall have certified to such effect to the Investors;

(b) The Investors shall have received from Shearman & Sterling, counsel for the Company, and Stephen Faciszewski, Manager, Legal Affairs of the Company, legal opinions dated the Closing Date in substantially the form of Exhibit C-1 and C-2 hereto, respectively;

(c) The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or at the Closing Date, and the Company shall have certified to such effect to the Investors;

(d) Certified copies of (A) the resolutions of the Board of Directors of the Company approving this Agreement and the Registration Rights Agreement and the transactions contemplated hereby and thereby, (B)

all documents evidencing other necessary corporate action and government approvals, if any with respect to this Agreement, (C) the certificate of incorporation and by-laws of the Company, and (D) a good standing certificate with respect to the Company from the Secretary of State (or similar official) of the State of Washington;

(e) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of its officers authorized to sign this Agreement and the Registration Rights Agreement and the other documents to be delivered by it hereunder;

(f) On the Closing Date, the Company shall have executed and delivered the Registration Rights Agreement; and

(g) The Company shall have received Subscriptions from Investors totalling not less than \$9,500,000.

2. The obligation of the Company to issue and sell the Shares being issued and sold by it on the Closing Date is, at its option, subject to the satisfaction, on or before such date, of the following conditions:

(a) The representations and warranties of the Investors contained in Section C hereof shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date; and

(b) The Company shall have received Subscriptions from Investors totalling not less than \$9,500,000.

F. MISCELLANEOUS

1. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the delivery to the Investors of the Shares to be purchased pursuant hereto and the payment therefor and, notwithstanding any investigation heretofore and hereafter made by or on behalf of a party hereto, shall continue in full force and effect. The rights and obligations of the Investors under this Agreement shall not be assignable by the Investors without the prior written consent of the Company. Nothing herein expressed or implied is intended to confer upon any person, other than the parties hereto or their respective permitted assignees, successors, heirs and legal

representatives, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

2. Notices required or permitted to be given hereunder shall be in writing and shall be deemed to be sufficiently given when personally delivered, telecopied (which is confirmed) or sent by registered or certified mail (return

receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to the Company, to

Cell Therapeutics, Inc.
201 Elliott Avenue West, Suite 400
Seattle, Washington 98119
Attention: Dr. James A. Bianco, President
Telecopy No.: (206) 284-6114

(b) If to any Investor, to such Investor's address set forth on the signature page hereof.

3. Failure of the Company, on the one hand, or any Investor, on the other hand, to exercise any right or remedy under this Agreement or any other agreement between the Company and such Investor, or otherwise, or delay by the Company, on the one hand, or such Investor, on the other hand, in exercising such right or remedy, will not operate as a waiver thereof.

4. This Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of New York, as such laws are applied by New York courts to agreements entered into and to be performed in New York by and between residents of New York, and shall be binding upon the Investors, the Investors' heirs, estate, legal representatives, successors and assigns and shall inure to the benefit of the Company and its successors and assigns. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

5. This Agreement and the other agreements referred to herein or expressly contemplated hereby embody the entire agreement and understanding between the Investors and the Company with respect to the acquisition of the Shares contemplated hereby and supersede all prior oral or written agreements, memoranda, understandings and

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undertakings among the parties hereto relating to the subject matter hereof. This Agreement may only be amended in a written instrument executed by the Investor and the Company.

6. Whether or not the transactions contemplated by this Agreement are consummated, neither of the parties hereto shall have any obligation to pay any of the fees and expenses of any other party incident to the negotiation, preparation and execution of this Agreement, including the fees and expenses of counsel, accountants, investment bankers and other experts. The Company, on the

one hand, and each Investor, on the other hand, will indemnify the other and hold it harmless from and against any claims for finders' fees or brokerage commissions in relation to or in connection with such transactions as a result of any agreement or understanding between such indemnifying party and any third party.

7. During the period of 180 days after the date of the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, covering the offer and sale of Common Stock for the account of the Company to the public, the Investors shall not, directly or indirectly offer to sell, sell, issue, distribute or otherwise dispose of any securities, any shares of Common Stock or any options, rights or warrants with respect to any equity securities of the Company without the prior written consent of the managing underwriter of such public offering (which consent may be withheld at the sole discretion of such managing underwriter);

provided, however, that the foregoing shall not prohibit the Investors from

privately selling Common Stock in a transaction effected off-exchange and without use of an intermediate broker or dealer and exempt from registration under the Securities Act and provided, further, that the foregoing restriction

shall not be applicable unless, immediately prior to the consummation of such offering each officer, director and 10% stockholder has agreed in writing to be bound to a 180 day lock-up period on terms substantially similar to those set forth in this Section F.7.

8. This Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

9. The Investors agree that a stop order shall be placed in the stock transfer records of the Company against the transfer of the Securities in contravention of the terms of this Agreement or applicable United States federal and state securities laws.

10. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as

possible in an acceptable manner to all parties to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible.

IN WITNESS WHEREOF, the Company and the Investors have caused this Agreement to be executed as of the date first written above.

THE COMPANY

CELL THERAPEUTICS, INC.

By: /s/ James A. Bianco

Name: James A. Bianco, M.D.

Title: President and Chief Executive Officer

<TABLE>

<CAPTION>

Number
of Shares
Subscribed
For

Purchase
Price

THE INVESTORS

<C>

<C>

<S>

14,925.373

\$5,000,000

KUMMELL INVESTMENTS LIMITED

Suite 922C

Europort, Gibraltar

Telecopy No.: 011-3-504-2676

With copies to:

Morningside Ventures

200 Putnam Street, Suite 600

Marietta, OH 45750

Attention: Terrence M. Morris

Telecopy No.: (614) 373-3707

and

Springfield Financial Advisory Limited

22nd Floor Hang Lung Centre

2-20 Paterson Street

Causeway Bay, Hong Kong

Telecopy No.: 011-85-2-257-6863

</TABLE>

By: /s/ Andy Kit-Chung Chan

Name: Andy Kit-Chung Chan

Title: Director

By: /s/ Sandra E. Pallas

Name: Sandra E. Pallas
Title: Joint Secretary

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14,925.373 \$5,000,000 INTERNATIONAL BIOTECHNOLOGY TRUST plc
Rothschild Asset Management
Five Arrows House
St. Swithen's Lane
London, England, EC4N 8NR
Attention: Bruce McHarrie
Telecopy No.: 011-44-71-623-6261

By: /s/ Jeremy Curnock Cook

Name: Jeremy Curnock Cook
Title: Director

10,447.761 \$3,500,000 W.R. SMITH II
Smith Rede Capital
375 N.W. Gilman Blvd., Suite B-201
Issaquah, WA 98027-2459
Attention: W.R. Smith
Telecopy No.: (206) 392-5753

/s/ W.R. Smith

2,985.075 \$1,000,000 VULCAN VENTURES INC.
Vulcan Ventures Northwest
110 - 110th Avenue Northeast, Suite 550
Bellevue, WA 98004
Attention: Ruth B. Kunath
Telecopy No.: (206) 453-1985

By /s/ William D. Savoy

Name: William D. Savoy
Title: Vice President

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1,492.537 \$ 500,000 THE PHOENIX PARTNERS III LIMITED PARTNERSHIP

1000 Second Avenue
Suite 3600
Seattle, WA 98104
Attention: Stuart C. Johnston
Telecopy No.: (206) 624-1907

By /s/ Stuart C. Johnston

Name: Stuart C. Johnston
Title: Managing General Partner

=====
44,776.119 \$15,000,000

CELL THERAPEUTICS, INC.

SERIES A CONVERTIBLE PREFERRED STOCK,
without par value

STOCK PURCHASE AGREEMENT

as of October 11, 1996

Cell Therapeutics, Inc.
201 Elliott Avenue West, Suite 400
Seattle, Washington 98119

Gentlemen:

This Stock Purchase Agreement ("Agreement") is made by and between Cell Therapeutics, Inc., a Washington corporation ("CTI" or the "Company"), and New York Life Insurance Company (the "Investor"), who is subscribing hereby for 5,970.1493 shares (the "Shares") of the Company's Series A Convertible Preferred Stock, without par value (the "Preferred Stock"), pursuant to the terms set forth herein. The Shares and the Conversion Shares (as defined herein) are herein referred to collectively as the "Securities."

In consideration of the Company's agreement to sell Shares to the Investor, and the Investor's agreement to purchase Shares from the Company, all on the terms and subject to the conditions contained herein, each of the Company and the Investor agrees and represents as follows:

A. SUBSCRIPTION

1. Subject to the terms and conditions of this Agreement, the Investor hereby subscribes for and agrees to purchase, and the Company agrees to sell, the number of Shares indicated on the signature pages hereto at a purchase price of \$335.00 per share, for the consideration set forth on the signature pages hereto (the "Subscription").

2. (a) The closing (the "Closing") of the purchase of the Shares provided for in Section A.1 shall take place at the offices of the Company, 201 Elliott Avenue West, Suite 400, Seattle, Washington, at 10:00 A.M. (Seattle time) on October 11, 1996 or at such other place or such other time or date as the Company and the Investor may agree.

(b) At the Closing, against delivery by the Investor of payment

therefor to the account of the Company at First Interstate Bank of Oregon, N.A., Portland, Oregon, ABA # 123-000-123, NW Trust Custody T-13, Account Number 450878, Attention:

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Ramona Steinbrugge or Luann Bird, Reference: Cell Therapeutics, Inc., and subject to the satisfaction of all conditions precedent set forth herein, the Company will deliver to the Investor a certificate or certificates evidencing the number of Shares purchased by the Investor, registered in the Investor's name.

B. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to, and agrees with, the Investor as follows:

1. The Company is a corporation duly incorporated and validly existing under the laws of the State of Washington and is duly licensed or qualified as a foreign corporation in each other jurisdiction where the nature of business transacted by it makes such licensing or qualification necessary. The Company has the corporate power and authority and the legal right, to own and operate its properties and to carry on its business as currently conducted, to execute deliver, and perform this Agreement and that certain Registration Rights Agreement, dated as of September 17, 1996 between the Company and the investors parties thereto, in the form annexed hereto as of Exhibit A-1, as amended by Amendment No. 1 thereto dated as of the Closing Date, substantially in the form annexed hereto as Exhibit A-2, (collectively, the "Registration Rights Agreement"), to issue, sell and deliver the Shares, to issue and deliver the shares of Common Stock, no par value, of the Company ("Common Stock"), issuable upon conversion of the Shares ("Conversion Shares") and in all other respects to consummate the transactions contemplated hereby and thereby.

2. The Company does not own any shares of any corporation or have any ownership or other investment interest, either of record, beneficially or equitably, in any association, partnership, joint venture or other legal entity.

3. The execution and delivery by the Company of this Agreement and the Registration Rights Agreement, the performance by the Company of its obligations hereunder and thereunder, the issuance, sale and delivery by the Company of the Shares pursuant hereto and the issuance and delivery of the Conversion Shares upon conversion of the Shares, have been duly authorized by all requisite corporate action, including without limitation all requisite action on the part of the Company's shareholders, and will not violate any provision of law, any order of any court or other agency of government, the Articles of Incorporation or By-laws of the Company, any judgment award or decree or any provision of any indenture, agreement or other instrument, to which the Company is a party, or by which it, or any of its properties or assets, is bound or affected, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such

indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company,

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or result in any suspension, revocation, impairment, forfeiture or nonrenewal of any Governmental Permit (as hereinafter defined).

4. The Shares have been duly authorized by the Company and, when paid for in accordance with this Agreement, will be validly issued, fully paid and nonassessable shares of Preferred Stock. The Conversion Shares have been duly reserved for issuance upon conversion of the Shares and, when so issued, will be duly authorized, validly issued, fully paid and nonassessable shares of Common Stock. Neither the issuance, sale and delivery of the Shares nor the issuance and delivery of the Conversion Shares are subject to any preemptive rights of shareholders of the Company or to any right of first refusal or other similar right in favor of any person.

5. Each of this Agreement and the Registration Rights Agreement has been duly executed and delivered by the Company and, subject to due execution by the Investor, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its respective terms.

6. The authorized capital stock of the Company consists of 100,000,000 shares of Common Stock, of which 17,300,574 shares are issued and outstanding as of the date hereof, and 10,000,000 shares of preferred stock, no par value ("Existing Preferred Stock"), of which 150,000 shares have been authorized and designated as Preferred Stock, of which 140,223.123 shares are issued and outstanding as of the date hereof. All shares of capital stock outstanding as of the date hereof have been duly authorized and validly issued, and are fully paid and nonassessable. 15,000,000 shares of Common Stock have been reserved for issuance upon conversion of the Preferred Stock. The designations, preferences, limitations and relative rights of the Preferred Stock are set forth in the Certificate of Amendment to Articles of Incorporation of the Company, as set forth in Exhibit B annexed hereto (the "Articles of Amendment").

7. The Shares to be issued and delivered to the Investor pursuant to this Agreement shall be offered, issued and sold in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and any other applicable United States federal or state securities laws.

8. Except (a) for the obligations of the Company to the Investor under this Agreement, (b) as otherwise set forth in the SEC Reports, and (c) for stock options granted to employees, officers and consultants of the Company subsequent to the date of the SEC Reports pursuant to the Company's 1994 Equity Incentive Plan, (i) no subscription, warrant, option, convertible security or other right (contingent or other) to purchase or acquire any shares of any class

of capital stock of the Company is authorized or outstanding, (ii) there is not any commitment of the Company to issue any shares, warrants, options or other such rights or to distribute to holders of any class of its capital stock any evidences of

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indebtedness or assets and (iii) the Company has no obligation (contingent or other) to purchase, redeem or otherwise acquire any shares of the capital stock of the Company or any interest therein or to pay any dividend or make any other distribution in respect thereof.

9. (a) The Company has filed all forms, reports and documents required to be filed with the Securities and Exchange Commission (the "SEC") since April 29, 1996 and has made available to the Investor (i) its Registration Statement on Form 10, as amended by Amendment No. 2 thereto filed with the SEC on June 28, 1996; (ii) its Quarterly Report on Form 10-Q for the period ended June 30, 1996; (iii) all other reports or registration statements filed by the Company with the SEC since June 28, 1996; and (iv) all amendments and supplements to all such reports and registration statements filed by the Company with the SEC (collectively, the "SEC Reports"). The SEC Reports (i) were prepared in accordance with the requirements of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as the case may be, and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such amending or superseding filing) contain any untrue statement of a material fact or omit 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.

(b) Each of the financial statements (including, in each case, any related notes thereto) contained in the SEC Reports was prepared in accordance with United States generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated therein or in the notes thereto) and each fairly presented the financial position of the Company as at the respective dates thereof and the results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not expected to be material in amount.

10. Except as set forth in the SEC Reports, since June 30, 1996, the Company has conducted its business in the ordinary course and there has not occurred: (i) any change or effect that is or is reasonably likely to be materially adverse to the business, assets (including intangible assets), financial condition or results of operations of the Company taken as a whole, (ii) any amendments or changes in the Articles of Incorporation or By-laws of the Company, other than an amendment to the Company's By-laws adopted on July 16, 1996, (iii) any change by the Company in its accounting methods, principles or practices, (iv) any revaluation by the Company of any of its assets, (v) any

sale of a material amount of property of the Company, (vi) any discharge or satisfaction by the Company of any material lien, security interest, charge or other encumbrance or any payment by the Company of any material obligation or liability (fixed or contingent), other than in the ordinary course of business and consistent with past practice, (vii) any investment by the Company of a capital nature, whether by purchase of stock or securities, contributions

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to capital, property transfers or otherwise, in any other partnership, corporation or other entity, or any purchase by the Company of any material property or assets, (viii) any cancellation or compromise by the Company of any debt or claim other than in the ordinary course of business consistent with past practice, (ix) any waiver or release by the Company of any rights of material value, including, without limitation, any Intangible Rights (as hereinafter defined), (x) any material wage or salary increase by the Company applicable to any group or classification of employees generally, or any material employment contract with, loan to, or material transaction of any other nature with, any officer or employee of the Company, or (xi) any establishment by the Company of any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974.

11. Except as and to the extent (i) reflected in the financial statements contained in the SEC Reports or (ii) incurred since June 30, 1996 in the ordinary course of business and consistent with past practice, the Company has no liabilities or obligations of any kind or nature, whether secured or unsecured (whether absolute, accrued, contingent or otherwise, and whether due or to become due), including without limitation any tax liabilities due or to become due, or whether incurred in respect of or measured by the assets, sales, income or receipts of the Company for any period, which liabilities or obligations would be required to be reflected on a balance sheet of the Company as of December 31, 1995, prepared in accordance with generally accepted accounting principles.

12. No order, authorization, approval or consent from, or filing with, any federal or state governmental or public body or other authority having jurisdiction over the Company is required for the valid execution (where called for), delivery and performance of this Agreement or the Registration Rights Agreement by the Company, the issuance, sale and delivery of the Shares or, upon conversion of the Shares, the issuance and delivery of the Conversion Shares, or is required in order that the business of the Company can be conducted immediately following the Closing Date substantially in the same manner as heretofore conducted, except for those that have been made and obtained, and for those filings under state "blue sky" laws which are now not required to be made or obtained.

13. Except as set forth in the SEC Reports, the Company has good and valid title to all its assets and properties, in each case free and clear of all liens, charges, security interests or other encumbrances of any nature whatsoever, other than (x) liens for taxes not yet due, (y) mechanic's,

materialman's and similar statutory liens arising in the ordinary course of business and which, in the aggregate, would not have a material adverse effect on the business, properties or condition (financial or other) of the Company, or (z) security interests securing indebtedness not in default for the purchase price of or lease rental payments on property purchased or leased under capital lease arrangements in the ordinary course of business.

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14. Except as is set forth in the SEC Reports, the Company complies with its contractual obligations relating to the protection of such of the patents, trademarks and trade names, trademark and trade name registrations, logos, servicemark registrations, copyright registrations, all applications pending on the date hereof for patent or for trademark, trade name, servicemark or copyright registrations, and all other material proprietary rights (collectively "Intangible Rights") used by it pursuant to licenses or other contracts, the Company has the right to its Intangible Rights for the purposes intended thereby, and to conduct its business as heretofore conducted, and the consummation of the transactions contemplated hereby will not alter or impair any such Intangible Rights, and, to the knowledge of the Company, all such Intangible Rights that are capable of being enforced are valid, enforceable and in good standing, and no claims have been asserted with respect to the ownership by the Company of any of the Intangible Rights or otherwise. To the knowledge of the Company, except as is set forth in the SEC Reports (i) no person is infringing an Intangible Right owned by the Company and (ii) the Company is not infringing any valid patent, copyright or trademark owned by any third party.

15. Except as set forth in the SEC Reports, there are no material claims, actions, suits, proceedings or investigations pending or, to the knowledge of the Company, threatened, by or against the Company or any of its properties, assets, rights or businesses. No such pending or threatened claims, actions, suits, proceedings or investigations, if adversely determined, would, individually or in the aggregate, have a material adverse effect on the business, properties or condition (financial or other) of the Company. Except as set forth in the SEC Reports, the Company knows of no basis for any other such claim, action, suit, proceeding or investigation which, if adversely decided, would have such a material adverse effect. Except as set forth in the SEC Reports, there are no actions, suits, proceedings or claims pending before or by any court, arbitrator, regulatory authority or government agency against or affecting the Company that might enjoin or prevent the consummation of the transactions contemplated by this Agreement or the Registration Rights Agreement.

16. The Company has duly and timely filed or caused to be filed (or obtained valid, currently effective extensions for filing) all Federal, state, local and foreign income, franchise, excise, payroll, sales and use, property, withholding and other tax returns, reports, estimates and information and other statements or returns (collectively "Tax Returns") required to be filed by or on behalf of it pursuant to any applicable Federal, state, local or foreign tax laws for all years and periods for which such Tax Returns have become due. All

such Tax Returns were correct in all material respects as filed and correctly reflect the Federal, state, local and foreign income, franchise, excise, payroll, sales and use, property, withholding and other taxes, duties, imposts and governmental charges (and charges in lieu of any thereof), together with interest, any additions to tax and penalties (collectively "Taxes") required to be paid or collected by (or allocable to) the Company. The Company (i) has paid or caused to be paid all Taxes as shown on Tax Returns filed by it or on any assessment received by it and (ii) has properly and fully accrued on its audited and

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interim unaudited financial statements all Taxes for any period from the date of the last reporting period covered by such Tax Returns. There is no audit pending or threatened in writing, and, to the knowledge of the Company, there is no dispute or claim being threatened by any relevant taxing authority concerning any Tax Return or liability for Taxes. Without limiting the foregoing, the Company has withheld or collected from each payment made to each of its employees (or has otherwise paid or made provision for) the amount of all Taxes (including, but not limited to, Federal income taxes, Federal Insurance Contribution Act taxes, state and local income and wage taxes, payroll taxes, worker's compensation and unemployment compensation taxes) required to be withheld or collected therefrom, and the Company has paid (or caused to be paid) the same in respect of its employees when due.

17. (a) The Company has all material governmental licenses, franchises and permits ("Governmental Permits") required under applicable law for the conduct of its business as currently conducted, including, without limitation, all such licenses, franchises and permits as are required for laboratory use, manufacturing, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances.

(b) The business of the Company is being conducted in material compliance with all applicable laws, ordinances, rules and regulations of all governmental authorities relating to the Company's properties or applicable to its business, including without limitation the terms of all Governmental Permits, federal securities laws, and laws relating to safe working conditions, laboratory and manufacturing practices (including current Good Manufacturing Practices prescribed by the U.S. Food and Drug Administration ("FDA")), the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances (including, without limitation, radioactive compounds and solvents). The Company has not received any notice from any third party of any alleged violation of any of the foregoing.

(c) Neither the Company nor any of its properties, operations or businesses is subject to any order, judgment, injunction or decree. To the knowledge of the Company, no action has been taken or recommended by any governmental or regulatory official, body or authority, either to revoke, withdraw or suspend any certificate of need or any license to operate the Company.

18. (a) No collective bargaining agreement is applicable to any employees of the Company. There are no disputes between the Company and any such employees that might reasonably be expected to materially adversely affect the conduct of its business or any unresolved labor union grievances or unfair labor practice or labor arbitration proceedings pending, or to the knowledge of the Company, threatened, relating to the business of the Company. To the knowledge of the Company, there are not any organizational efforts presently being made or threatened involving any of such employees. The Company has not received notice of any claim that the Company has failed to comply with

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any laws relating to employment, including any provisions thereof relating to wages, hours, collective bargaining, the payment of social security and other payroll or similar taxes, equal employment opportunity, employment discrimination and employment safety, or that the Company is liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing except for routine non-material grievances.

(b) There are no proceedings pending or, to the knowledge of the Company, threatened before the National Labor Relations Board with respect to any employees of the Company. There are no discrimination charges (relating to sex, age, religion, race, national origin, ethnicity, handicap or veteran status) pending before any Federal or state agency or authority against the Company.

19. The Company is a named insured under all policies of fire, liability, workers' compensation, malpractice and professional liability and other forms of insurance providing insurance coverage to or for the Company. All premiums with respect to such policies covering all periods have been paid. No notice of cancellation or termination has been received with respect to any such policy. All such policies are in full force and effect and will remain in full force and effect to and including the Closing Date, and coverage thereunder will continue to be in effect immediately after the Closing Date, without limit as to time, for occurrences prior to the Closing Date.

20. All real property leased by the Company are used and operated by the Company in material compliance and conformity with all applicable leases. The Company has not received notice of any material violation of any applicable zoning or building regulation, ordinance or other law, order, regulation or requirement relating to the respective real estate assets of the Company and, to the knowledge of the Company, there are no such material violations.

21. All tangible personal property, fixtures and equipment comprising the assets of the Company are in a good state of repair (ordinary wear and tear excepted) and operating condition, in all material respects, and are sufficient and adequate to conduct its business on the date hereof.

22. For the purposes of this Section B(22), the following terms shall

have the following meanings:

"Environmental Law" means any federal, state, provincial or local statute, law, ordinance, rule or regulation of the United States and any other jurisdiction within the United States now effective and any order, to which the Company is a party or is otherwise directly bound, of the United States or other jurisdiction within the United States now effective relating to: (a) pollution or protection of the environ-

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ment, including natural resources; or (b) exposure of persons, including employees, to Hazardous Substances;

"Hazardous Substances" means any substance, whether liquid, solid or gas (a) listed, identified or designated as hazardous or toxic under any Environmental Law, (b) which, applying criteria specified in any Environmental Law, is hazardous or toxic, or (c) the use or disposal of which is regulated under Environmental Law.

(a) No Hazardous Substances have been, or have been threatened to be, discharged, released or emitted into the air, water, surface water, ground water, land surface or subsurface strata or transported to or from the property of the Company except in accordance with Environmental Law and except for incidental release of Hazardous Substances in amounts or concentrations which would not reasonably be expected to give rise to any claims or liabilities against the Company under Environmental Law.

(b) The Company has not received any notification from a governmental agency that there is any material violation of any Environmental Law with respect to the business and properties of the Company and the Company has not received any notification from a governmental agency pursuant to Section 104, 106 or 107 of the Comprehensive Environmental Response Compensation and Liability Act, as amended.

23. (a) Neither the Company nor, to the knowledge of the Company, any officer, director, employee or agent of the Company, nor any other person or entity acting on behalf of the Company, acting alone or together, has (i) received, directly or indirectly, any rebates, payments, commissions, promotional allowances or any other economic benefits, regardless of their nature or type, from any customer, governmental employee or other person or entity with whom the Company has conducted business activities directly or indirectly, or (ii) directly or indirectly, given or agreed to give any gift or similar benefit to any customer, governmental employee or other person or entity who is or may be in a position to help or hinder the business of the Company (or assist the Company in connection with any actual or proposed transaction) which, under current law, in the case of either clause (i) or clause (ii) above, would reasonably be expected to subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding.

(b) To the knowledge of the Company, no employee, officer or director of the Company, has been debarred under (S)306(a) or (S)306(b) of the Federal Food, Drug and Cosmetic Act or has, within the last five years, been convicted of (x) a criminal offense relating to the development or approval process of any drug product, or (y) a felony involving bribery, payment of illegal gratuities, fraud, perjury, false statements, racketeering, blackmail, extortion, falsification or destruction of records, or interference with, obstruction of an investigation into, or prosecution of, any criminal offense or a conspiracy to commit, aid or abet such felony.

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24. No person authorized by the Company as agent, broker, dealer or otherwise in connection with the offering or sale of the Shares, or any similar securities, has taken or will take any action (including, without limitation, any offer or sale of any securities under circumstances which would require the integration of such securities with the Shares being issued and sold hereunder under the Securities Act, or the rules and regulations of the SEC thereunder), which would subject such offer and sale to the registration provisions of the Securities Act.

25. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by the Company directly with the Investor, without the intervention of any person on behalf of the Company in such manner as to give rise to any claim by any person against the Investor for a finder's fee, brokerage commission or similar payment.

C. REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

The Investor hereby represents and warrants to, and agrees with, the Company as follows:

1. Each of this Agreement and the Registration Rights Agreement have been duly authorized, executed and delivered by the Investor and constitute the legal, valid and binding obligations of the Investor, enforceable against the Investor in accordance with their respective terms.

2. The Investor acknowledges its understanding that the offering and sale of the Shares to be purchased hereto by the Investor are intended to be exempt from registration under the Securities Act. In furtherance thereof, the Investor represents and warrants to the Company that the Investor is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act ("Regulation D").

3. The Investor has been advised and understands that the Securities have not been registered under the Securities Act. The Investor, by purchasing the Shares, agrees for the benefit of the Company that the Securities may be resold, pledged or otherwise transferred only (1) to the Company (upon, exchange or redemption thereof or otherwise), (2) if the Company is then subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and the

Securities are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A, (3) in an offshore transaction in accordance with Rule 904 of Regulation S under the Securities Act, but only in the case of a transfer that is effected by the delivery to the transferee of definitive Securities registered in

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its name (or in its nominee's name) on the books maintained by the Company, (4) pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act (if available and upon delivery of an opinion of counsel satisfactory in form and substance to the Company, if requested by the Company), (5) pursuant to an effective registration statement under the Securities Act, or (6) pursuant to any other exemption from registration under the Securities Act, provided an opinion of counsel is furnished reasonably satisfactory in form and substance to the Company, stating that an exemption from the registration requirements of the Securities Act is available, in each case in accordance with any applicable securities laws of any state of the United States. The Investor is acquiring the Shares to be purchased by it for its own account for investment, and not with a view to, or for resale in connection with, the distribution thereof, and has no present intention of distributing or reselling any of the Securities.

4. The Investor is familiar with the business and operations of the Company and understands and has evaluated the merits and risks of a purchase of the Securities. The Investor has carefully considered and has, to the extent the Investor believes such discussion necessary, discussed with the Investor's professional legal, tax, accounting and financial advisors the suitability of an investment in the Securities and has determined that the Shares being subscribed for by the Investor are a suitable investment for the Investor.

5. The Investor: (i) has a pre-existing business relationship with the Company or any of its officers, directors or controlling persons or (ii) by reason of the Investor's business or financial experience, or by reason of the business or financial experience of the Investor's professional advisors who are unaffiliated with and who are not compensated by the Company or any affiliate of the Company, directly or indirectly, has the capacity to protect the Investor's interest in connection with the investment in the Securities.

6. The Company has made available to the Investor all documents and information that the Investor has requested relating to an investment in the Securities. The Investor has been given the opportunity to ask questions of, and has received answers from, the Company with respect to the business of the Company, the financial condition of the Company, the terms and conditions of this investment and other matters pertaining to an investment in the Company, and the Investor has been given the opportunity to obtain such additional

information necessary to verify the accuracy of the information that was provided in order for the Investor to evaluate the merits and risks of an investment in the Company.

7. The Investor recognizes that the Company has incurred substantial accumulated net losses to date and expects to continue to incur operating losses. The Investor also recognizes that an investment in the Company involves substantial risk and could afford a complete loss of such investment.

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8. If this Agreement is executed and delivered on behalf of a partnership, corporation, trust or estate: (i) such partnership, corporation, trust or estate has the full legal right and power and all authority and approval required (a) to execute and deliver, or authorize execution and delivery of, this Agreement and all other instruments executed and delivered by or on behalf of such partnership, corporation, trust or estate, in connection with the purchase of the Shares, (b) to delegate authority pursuant to a power of attorney and (c) to purchase such Shares and hold the Securities; (ii) the signature of the party signing on behalf of such partnership, corporation, trust or estate is binding on such partnership, corporation, trust or estate; and (iii) such partnership, corporation or trust has not been formed for the specific purpose of acquiring such Shares, unless each beneficial owner of such entity is an accredited investor within the meaning of Rule 501(a) of Regulation D.

9. The Investor is not subscribing for the Shares as a result of, or, to the Investor's knowledge, subsequent to, any general solicitation or advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or meeting.

10. The Investor acknowledges that the Company is entering into this Agreement in reliance upon the Investor's representations and warranties in this Agreement, including, without limitation, those set forth in this Section C.

11. The Investor agrees to provide such additional information, representations and agreements as the Company may reasonably request in order to assure compliance with all United States federal and state securities laws applicable to the offer or sale of the Shares to be purchased by it; provided, -----
that, the Investor shall not be obligated to provide the Company with a copy of ----
its or any of its affiliates' partnership agreement.

D. CERTAIN UNDERSTANDINGS OF THE INVESTOR

The Investor understands, acknowledges and agrees with the Company as follows:

1. The offering and sale of the Securities is intended to be exempt from registration under the Securities Act by virtue of Section 4(2) of the Securities Act which is in part dependent upon the truth, completeness and accuracy of the statements made by the Investor herein. There is no public trading market for the Securities and none is expected to develop.

2. The Shares are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that (A) if within three years after the date of original issuance of the Shares it decides to resell, pledge or otherwise transfer the Securities, the Securities may be resold, pledged or transferred only (i) to the

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Company (upon exchange, redemption or otherwise), (ii) if the Company is then subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and such Security is eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a Qualified Institutional Buyer ("QIB") within the meaning of Rule 144A, (iii) in an offshore transaction in accordance with Rule 904 of Regulation S, but only in the case of a transfer that is effected by the delivery to the transferee of definitive securities registered in its name (or its nominee's name) on the books maintained by the Company, (iv) pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act (if available and upon delivery of an opinion of counsel satisfactory in form and substance to the Company, if requested by the Company), (v) pursuant to an effective registration statement under the Securities Act, or (vi) pursuant to any other exemption from registration under the Securities Act, provided an opinion of counsel is furnished reasonably satisfactory in form and substance to the Company, stating that an exemption from the registration requirements of the Securities Act is available, in each case in accordance with any applicable securities laws of any state of the United States and (B) the Investor will, and each subsequent holder is required to, notify any purchaser of the Securities from it of the resale restrictions referred to in (A) above, if then applicable.

3. Except as provided in the Registration Rights Agreement, the Company is under no obligation to register the Securities on behalf of the Investor.

4. The Investor acknowledges that the information furnished to the Investor by the Company in connection with this Subscription is confidential and non-public and agrees that all such information shall be kept in confidence by the Investor and neither used by the Investor to the Investor's personal benefit (other than in connection with this Subscription) nor disclosed to any third party for any reason; provided, however, that this obligation shall not apply to

any such information which (a) is part of the public knowledge or literature and readily accessible by publication (except as a result of a breach of this provision); (b) becomes part of the public knowledge or literature and readily accessible by publication (except as a result of a breach of this provision); or (c) is received from third parties (except third parties who disclose such

information in violation of any confidentiality agreements including, without limitation, any subscription agreement they may have entered into with the Company). Notwithstanding the foregoing, if the Investor has been requested or is required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any such confidential information, the Investor will notify the Company of such request(s) so that the Company may seek an appropriate protective order or waive the Investor's compliance with the provisions of this Section D.4. If, in the absence of a protective order or the receipt of a waiver hereunder, the Investor is nonetheless compelled to disclose such confidential information or else stand liable for contempt or suffer other censure or other penalty, the Investor may disclose such confidential information pursuant to such requests or requirements without liability hereunder.

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5. The following legend(s) will be placed on the Securities, unless otherwise agreed by the Company:

(a) THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF CELL THERAPEUTICS, INC. ("THE COMPANY") THAT THIS SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY (UPON EXCHANGE OR REDEMPTION THEREOF OR OTHERWISE), (2) IF THE COMPANY IS THEN SUBJECT TO THE REPORTING REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT AND THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, BUT ONLY IN THE CASE OF A TRANSFER THAT IS EFFECTED BY THE DELIVERY TO THE TRANSFEREE OF DEFINITIVE SECURITIES REGISTERED IN ITS NAME (OR IN ITS NOMINEE'S NAME) ON THE BOOKS MAINTAINED BY THE COMPANY, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE AND UPON DELIVERY OF AN OPINION OF COUNSEL SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY, IF REQUESTED BY THE COMPANY), (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (6) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED AN OPINION OF COUNSEL IS FURNISHED REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY, STATING THAT AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(b) IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY

AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED OR PASSED ON THE ACCURACY OR ADEQUACY OF THE

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SECURITIES OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION WITH THE INVESTOR'S PURCHASE OF THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

(c) THIS OFFERING IS BEING MADE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF SECURITIES THAT DO NOT INVOLVE A PUBLIC OFFERING. THE SECURITIES OFFERED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THERE IS CURRENTLY NO PUBLIC OR OTHER MARKET FOR THE SHARES OF CELL THERAPEUTICS, INC. COMMON STOCK, AND THERE CAN BE NO ASSURANCE THAT A PUBLIC OR OTHER MARKET WILL DEVELOP. EACH PROSPECTIVE INVESTOR SHOULD PROCEED ONLY ON THE ASSUMPTION THAT SUCH PROSPECTIVE INVESTOR MAY HAVE TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

6. The Investor agrees not to sell, transfer, encumber or otherwise dispose of any Securities owned by it in contravention of Section D.5(a).

E. CONDITIONS TO CLOSING

1. The obligation of the Investor to purchase and pay for the Shares being purchased by it on the Closing Date is, at its option, subject to the satisfaction, on or before such date, of the following conditions:

(a) The representations and warranties of the Company contained in Section B hereof shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and the Company shall have certified to such effect to the Investor;

(b) The Investor shall have received from Shearman & Sterling, counsel for the Company, and Stephen Faciszewski, Manager, Legal Affairs of the Company, legal opinions dated the Closing Date in substantially the form of Exhibit C-1 and C-2 hereto, respectively;

(c) The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or at the Closing Date, and the Company shall have certified to such effect to the Investor;

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(d) Certified copies of (A) the resolutions of the Board of

Directors of the Company approving this Agreement and the Registration Rights Agreement and the transactions contemplated hereby and thereby, (B) all documents evidencing other necessary corporate action and government approvals, if any with respect to this Agreement, (C) the certificate of incorporation and by-laws of the Company, and (D) a good standing certificate with respect to the Company from the Secretary of State (or similar official) of the State of Washington;

(e) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of its officers authorized to sign this Agreement and the Registration Rights Agreement and the other documents to be delivered by it hereunder; and

(f) On the Closing Date, the Company, the Investor and the holders of at least a majority in interest of the "Registrable Securities" (as such term is defined in the Registration Rights Agreement) shall have entered into Amendment No. 1 to the Registration Rights Agreement substantially in the form annexed hereto as Exhibit A-2.

2. The obligation of the Company to issue and sell the Shares being issued and sold by it on the Closing Date is, at its option, subject to the satisfaction, on or before such date, of the following conditions:

(a) The representations and warranties of the Investor contained in Section C hereof shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date; and

(b) On the Closing Date, the Company, the Investor and the holders of at least a majority in interest of the "Registrable Securities" (as such term is defined in the Registration Rights Agreement) shall have entered into Amendment No. 1 to the Registration Rights Agreement substantially in the form annexed hereto as Exhibit A-2.

F. MISCELLANEOUS

1. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the delivery to the Investor of the Shares to be purchased pursuant hereto and the payment therefor and, notwithstanding any investigation heretofore and hereafter made by or on behalf of a party hereto, shall continue in full force and effect. The rights and obligations of the Investor under this Agreement shall not be assignable by the Investor without the prior written consent of the Company.

Nothing herein expressed or implied is intended to confer upon any person, other than the parties hereto or their respective permitted assignees, successors, heirs and legal representatives, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

2. Notices required or permitted to be given hereunder shall be in writing and shall be deemed to be sufficiently given when personally delivered, telecopied (which is confirmed) or sent by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to the Company, to

Cell Therapeutics, Inc.
201 Elliott Avenue West, Suite 400
Seattle, Washington 98119
Attention: Dr. James A. Bianco, President
Telecopy No.: (206) 284-6114

(b) If to the Investor, to the Investor's address set forth on the signature page hereof.

3. Failure of the Company, on the one hand, or the Investor, on the other hand, to exercise any right or remedy under this Agreement or any other agreement between the Company and the Investor, or otherwise, or delay by the Company, on the one hand, or the Investor, on the other hand, in exercising such right or remedy, will not operate as a waiver thereof.

4. This Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of New York, as such laws are applied by New York courts to agreements entered into and to be performed in New York by and between residents of New York, and shall be binding upon the Investor, the Investor's heirs, estate, legal representatives, successors and assigns and shall inure to the benefit of the Company and its successors and assigns. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

5. This Agreement and the other agreements referred to herein or expressly contemplated hereby embody the entire agreement and understanding between the

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Investor and the Company with respect to the acquisition of the Shares contemplated hereby and supersede all prior oral or written agreements, memoranda, understandings and undertakings among the parties hereto relating to the subject matter hereof. This Agreement may only be amended in a written instrument executed by the Investor and the Company.

6. Whether or not the transactions contemplated by this Agreement

are consummated, neither of the parties hereto shall have any obligation to pay any of the fees and expenses of any other party incident to the negotiation, preparation and execution of this Agreement, including the fees and expenses of counsel, accountants, investment bankers and other experts. The Company, on the one hand, and the Investor, on the other hand, will indemnify the other and hold it harmless from and against any claims for finders' fees or brokerage commissions in relation to or in connection with such transactions as a result of any agreement or understanding between such indemnifying party and any third party.

7. During the period of 180 days after the date of the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act, covering the offer and sale of Common Stock for the account of the Company to the public, the Investor shall not, directly or indirectly offer to sell, sell, issue, distribute or otherwise dispose of any securities, any shares of Common Stock or any options, rights or warrants with respect to any equity securities of the Company without the prior written consent of the managing underwriter of such public offering (which consent may be withheld at the sole discretion of such managing underwriter); provided, however, that the foregoing shall not prohibit the Investor from

privately selling Common Stock in a transaction effected off-exchange and without use of an intermediate broker or dealer and exempt from registration under the Securities Act and provided, further, that the foregoing restriction

shall not be applicable unless, immediately prior to the consummation of such offering each officer, director and 10% stockholder has agreed in writing to be bound to a 180 day lock-up period on terms substantially similar to those set forth in this Section F.7.

8. This Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

9. The Investor agrees that a stop order shall be placed in the stock transfer records of the Company against the transfer of the Securities in contravention of the terms of this Agreement or applicable United States federal and state securities laws.

10. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith

to modify this Agreement so as to effect the original intent of the parties as

closely as possible in an acceptable manner to all parties to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Investor has caused this Agreement to be executed as of the date first written above.

THE COMPANY

CELL THERAPEUTICS, INC.

By: /s/ James A. Bianco

Name: James A. Bianco, M.D.

Title: President and Chief Executive Officer

Number
of Shares
Subscribed
For

Purchase
Price

THE INVESTOR

5,970.1493

\$2,000,000

NEW YORK LIFE INSURANCE COMPANY
51 Madison Avenue, Room 207
New York, NY 10010
Attention: Richard F. Drake
Telecopy No.: (212) 576-8080

By: /s/ Richard F. Drake

Name: Richard F. Drake

Title: Investment Vice President

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made by Cell Therapeutics, Inc., a Washington corporation (the "Company"), for the benefit of the investors party to this Agreement (collectively, the "Investors," and each an "Investor").

RECITALS

- A. The Investors desire to purchase from the Company, and the Company desires to issue and sell to the Investors, up to an aggregate of 44,776.119 shares of the Company's Series A Convertible Preferred Stock, without par value (the "Series A Preferred"), each convertible into 100 shares of the Company's common stock, without par value (the "Common Stock"), all upon the terms set forth in that certain Stock Purchase Agreement dated as of September 17, 1996 (the "Stock Purchase Agreement") between the Investors and the Company.
- B. As further inducement for the Investors to purchase the Shares from the Company, the Company desires to undertake to register under the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Securities Act"), the shares of Common Stock (the "Shares") issuable upon conversion of the Series A Preferred. This Agreement sets forth the terms and conditions of such undertaking.

AGREEMENTS

The Company and the Investors covenant and agree as follows:

1. Definitions. For purposes of this Agreement:

- a. The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement or statements or similar documents in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis ("Rule 415"), and the declaration or ordering of effectiveness of such registration statement or document by the Securities and Exchange Commission (the "SEC").

- b. The term "Registrable Securities" means (i) the Shares and (ii) any

Common Stock of the Company issued as (or issuable upon the conversion or exercise of any

convertible security, warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of the Series A Preferred (other than the Shares) or the Shares; provided, however, that the Shares or other shares of Common Stock shall no

longer be treated as "Registrable Securities" if (A) they have been sold by an Investor in a transaction in which its registration rights under this Agreement are not assigned, (B) a registration statement with respect to the sale of such Registrable Securities shall have become effective under the Securities Act and such Registrable Securities shall have been disposed of in accordance with such registration statement, (C) such Registrable Securities shall have been distributed to the public pursuant to Rule 144 (or any successor provision) under the Securities Act, (D) such Registrable Securities shall have been otherwise transferred, new certificates for such Registrable Securities not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of such Registrable Securities shall not be subject to registration or qualification under the Securities Act or any state securities or blue sky law then in force, or (E) such Registrable Securities shall have ceased to be outstanding; and

c. Capitalized terms not defined herein shall have the meanings set forth in the Stock Purchase Agreement.

2. Registration.

a. Subject to the provisions of subsection 3(a) below, not later than six months after the final closing date of an initial public offering of the Common Stock of the Company to the general public covered by a registration statement under the Securities Act (the "IPO Closing Date"), the Company shall use its best efforts to effect the registration under the Securities Act of all Registrable Securities; provided, however, that an Investor may inform the Company in writing that it wishes to exclude all or a portion of its Registrable Securities from such registration.

b. If the Company shall not have effected the registration of all Registrable Securities (other than any Registrable Securities excluded from registration at the request of an Investor) by the last day of the 24th month after the date of this Agreement, the holders of a majority in interest of Registrable Securities shall have the right at any time (but only once), commencing with the first day of the 25th month after the date of this Agreement, to make a written request (a "Demand") to the Company for registration (a "Demand Registration") under and in accordance with the provisions of the Securities Act of all Registrable Securities; provided,

however, that an Investor may inform the Company in writing that it wishes to

exclude all or a portion of its Registrable Securities from such registration. The Company may, if its Board of Directors shall determine in the good faith exercise of their reasonable business judgment that it would be significantly adverse to the Company and its stockholders to effect a Demand Registration, defer such Demand

Registration (but only once) for a period of not more than ninety (90) days after receipt of the Demand; provided, that the Company shall effect such Demand

Registration promptly upon the expiration of such period unless the holders of a majority in interest of Registrable Securities shall have notified the Company in writing not to effect such Demand Registration.

c. The holders of a majority in interest of the Registrable Securities shall have the right to select the managing underwriters, if any, for a registration pursuant to this Section 2, subject to the approval of the Company, which shall not be unreasonably withheld.

d. The Company is obligated to use its best efforts to effect only one registration pursuant to this Agreement.

3. Obligations of the Company. When required under this Agreement to effect the registration of the Registrable Securities, the Company shall, as expeditiously as reasonably possible:

a. Prepare and file with the SEC a registration statement or statements or similar documents (the "Registration Statement") with respect to all Registrable Securities, other than any Registrable Securities excluded by Investors pursuant to Section 2(a) or 2(b), and use its best efforts to cause the Registration Statement to become effective not later than six months after the IPO Closing Date, or, in the event of a Demand Registration pursuant to Section 2(b), as soon as practicable after receipt of the Demand (plus such additional period that the Demand Registration may be deferred by the Company pursuant to Section 2(b)), and to keep the Registration Statement effective pursuant to Rule 415 at all times until three years after September 17, 1996, which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

b. Prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective at all times until three years after September 17, 1996 and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Registration Statement.

c. Furnish promptly to the Investors such numbers of copies of a prospectus, including a preliminary prospectus, and all amendments and supplements thereto, in conformity with the requirements of the Securities Act, and such other documents as the Investors may reasonably request in order to facilitate the disposition of Registrable

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Securities.

d. Use its best efforts to register and qualify the securities covered by the Registration Statement under such other securities or Blue Sky laws of such jurisdiction as shall be reasonably requested by the Investors, and prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements and to take such other actions as may be necessary to maintain such registration and qualification in effect at all times until three years after September 17, 1996, and to take all other actions necessary or advisable to enable the disposition of such securities in such jurisdictions, 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 or to provide any undertaking or make any change in its charter or bylaws which the Board of Directors determines to be contrary to the best interest of the Company and its shareholders.

e. In the event the holders of a majority in interest of the Registrable Securities select underwriters for the offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the managing underwriter of such offering. The Investors shall also enter into and perform their customary obligations under any such agreement including, without limitation, customary indemnification and contribution obligations.

f. Notify the Investors, at any time when a prospectus relating to Registrable Securities covered by the Registration Statement is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in the 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 light of the circumstances then existing. The Company shall promptly amend or supplement the Registration Statement to correct any such untrue statement or omission.

g. Notify the Investors of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to

obtain the lifting thereof at the earliest possible time.

h. Permit a single firm of counsel designated as selling shareholders' counsel by the holders of a majority in interest of the Registrable Securities to review the Registration Statement and all amendments and supplements thereto a reasonable period of time prior to their filing, and shall not file any document in a form to which such counsel reasonably

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objects.

i. Make generally available to its security holders as soon as practicable, but not later than 90 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the Securities Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.

j. At the request of the Investors, furnish to the underwriters on the date that Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Agreement (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters.

k. Make available for inspection by the Investors, any underwriters participating in the offering pursuant to the registration and the counsel, accountants or other agents retained by the Investors or any such underwriter, all pertinent financial and other records, corporate documents and proprieties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by the Investors or any such underwriters in connection with the registration; provided, that the Company may

require the recipient of any such information to execute a confidentiality agreement containing such provisions as are reasonable under the circumstances.

l. If the Common Stock is then listed on a national securities exchange, use its best efforts to cause the Registrable Securities to be listed on such exchange, or if the Common Stock is not then listed on a national securities exchange, use its best efforts to facilitate the reporting of the Common Stock on the Nasdaq National Market.

m. Provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the

Registration Statement.

n. Take all actions reasonably necessary to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be sold pursuant to the Registration Statement and to enable such certificates to be in such denominations and registered in such names as the Investors or any underwriters may reasonably request.

o. Take all other reasonable actions necessary to expedite and facilitate

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disposition by the Investors of the Registrable Securities pursuant to the Registration Statement.

4. **Furnish Information.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to each Investor that such 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 reasonably required to effect the registration of the Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.

5. **Expenses of Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registration, filings, or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing, filing and qualification fees, printers and accounting fees, the fees and disbursements of counsel or the Company and the reasonable fees and disbursements of one firm of counsel for the Investors shall be borne by the Company.

6. **Indemnification.** In the event any Registrable Securities are included in a Registration Statement under this Agreement:

a. To the extent permitted by law, the Company will indemnify and hold harmless each Investor, the directors, if any, of such Investor, the officers, if any, of such Investor who sign the Registration Statement, each person, if any, who controls such Investor, any underwriter (as defined in the Securities Act) for the Investors and each person, if any, who controls any such underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), against any losses, claims, damages, expenses or liabilities (joint or several) to which any of them may become subject under the Securities Act, the 1934 Act or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions or proceedings,

whether commenced or threatened, 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 the Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or (iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law; and the Company will reimburse the Investors and each such underwriter or controlling person,

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promptly as such expenses are incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that the indemnity agreement contained in subsection 6(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 in any such case 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 the Investors or any such underwriter or controlling person, as the case may be. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Investors or any such underwriter or controlling person and shall survive the transfer of the Registrable Securities by Investors.

b. To the extent permitted by law, each Investor, severally and not jointly, will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act or the 1934 Act, any underwriter and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such holder or underwriter, against any losses, claims, damages or liabilities (joint or several) to which any of them may become subject, under the Securities Act, the 1934 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 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 such Investor expressly for use in connection with such registration; and such Investor will reimburse any legal or other expenses reasonably incurred by any of 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 6(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 such Investor, which consent shall not be unreasonably withheld; and provided further, that the Investor shall be liable under this paragraph for only that amount of losses, claims, damages and liabilities as does not exceed the proceeds to such Investor as result of the sale of Registrable Securities pursuant to such registration.

c. Promptly after receipt by an indemnified party under this Section 6 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 6, 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 control of the defense thereof with counsel mutually satisfactory to the parties;

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provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel for the indemnifying party, 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 shall relieve such indemnifying party of any liability to the indemnified party under this Section 6 only to the extent prejudicial to its ability to defend such action, 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 6. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, promptly as such expense, loss, damage or liability is incurred.

d. To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under this Section 6 to the extent permitted by law, provided that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in this Section 6, (ii) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation and (iii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

7. Reports Under Securities Exchange Act of 1934. With a view to making available to the Investors the benefits of SEC Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration, the Company agrees to:

a. make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after 90 days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

b. file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act; and

c. furnish to each Investor, so long as such Investor owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after

the effective date of the first registration statement filed by the Company), the Securities Act and the 1934 Act (at any time after it has become subject to such reporting requirements), (ii) 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 (iii) such other information as may be reasonably requested in availing the Investors of any rule or regulation of the SEC which permits the selling of any such securities without registration.

8. Assignment of Registration Rights. The rights to have the Company register Registrable Securities pursuant to this Agreement may be assigned by the Investors to transferees or assignees of such securities provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; provided, further, that such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. The term "Investors" as used in this Agreement shall include permitted assignees.

9. Miscellaneous.

a. Notices required or permitted to be given hereunder shall be in writing and shall be deemed to be sufficiently given when personally delivered or sent by registered mail, return receipt requested, addressed (i) if to the Company, at Cell Therapeutics, Inc., 201 Elliott Avenue West, Suite 400,

Seattle, Washington 98119, Attention: James A. Bianco, M.D., President and Chief Executive Officer, and (ii) if to an Investor, at the address set forth under its name in the Stock Purchase Agreement, or at such other address as each such party furnishes by notice given in accordance with this Section 9(a).

b. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, will not operate as a waiver thereof. No waiver will be effective unless and until it is in writing and signed by the party giving the waiver.

c. This Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of New York, as such laws are applied by New York courts to agreements entered into and to be performed in New York by and between residents of New York. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other

provision hereof.

d. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by the Company and the holders of a majority in interest of the Registrable Securities.

DATED as of this 17th day of September, 1996.

THE COMPANY

CELL THERAPEUTICS, INC.

By: /s/ James A. Bianco

James A. Bianco, M.D.
President and Chief Executive Officer

THE INVESTORS

KUMMELL INVESTMENTS LIMITED

By: /s/ Andy Kit-Chung Chan

Name: Andy Kit-Chung Chan
Title: Director

By: /s/ Sandra E. Pallas

Name: Sandra E. Pallas
Title: Joint Secretary

INTERNATIONAL BIOTECHNOLOGY TRUST plc

By: /s/ Jeremy Curnock Cook

Name: Jeremy Curnock Cook
Title: Director

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W.R. SMITH II

/s/ W.R. Smith

VULCAN VENTURES INC.

By: /s/ William D. Savoy

Name: William D. Savoy
Title: Vice President

THE PHOENIX PARTNERS III LIMITED PARTNERSHIP

By /s/ Stuart C. Johnston

Name: Stuart C. Johnston
Title: Managing General Partner

AMENDMENT NO. 1
TO

REGISTRATION RIGHTS AGREEMENT

THIS AMENDMENT NO. 1 TO REGISTRATION RIGHTS AGREEMENT (the "Amendment") is made by and between Cell Therapeutics, Inc., a Washington corporation (the "Company"), the investors party to this Agreement (collectively, the "Investors," and each an "Investor"), and New York Life Insurance Company (the "Additional Investor").

RECITALS

- A. Pursuant to a Stock Purchase Agreement dated as of September 17, 1996 (the "Stock Purchase Agreement") between the Company and the Investors, the Investors purchased from the Company 44,776.119 shares of the Company's Series A Convertible Preferred Stock, without par value (the "Series A Preferred"), and in connection with the Stock Purchase Agreement the Company and the Investors entered into that certain Registration Rights Agreement, dated as of September 17, 1996 (the "Registration Rights Agreement").
- B. The Additional Investor desires to purchase from the Company, and the Company desires to issue and sell to the Additional Investor, 5,970.1493 shares of Series A Preferred, upon the terms set forth in that certain Stock Purchase Agreement dated as of October 11, 1996 (the "Additional Investor Stock Purchase Agreement") between the Additional Investor and the Company.
- C. As further inducement for the Additional Investor to purchase the Shares from the Company, the parties hereto intend to amend the Registration Rights Agreement to provide the Additional Investor with the rights and privileges that the Company provided to the Investors pursuant to the Registration Rights Agreement.

AGREEMENTS

The Company, the Additional Investor, and the Investors party hereto, being the holders of a majority in interest of the Registrable Securities (as defined in the Registration Rights Agreement), hereby agree as follows:

SECTION 1. Amendments to Registration Rights Agreement. The

Registration Rights Agreement is, effective as of October 11, 1996 (the "Effective Date")

and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended as follows:

(a) The Additional Investor shall be an "Investor" under the Registration Rights Agreement; and

(b) The shares of Common Stock issuable upon conversion of the 5,970.1493 shares of Series A Preferred purchased by the Additional Investor pursuant to the Additional Investor Stock Purchase Agreement shall constitute "Shares" under the Registration Rights Agreement.

SECTION 2. Agreement of Additional Investor. The Additional Investor

agrees to all of the terms and conditions of the Registration Rights Agreement, as amended hereby.

SECTION 3. Conditions of Effectiveness. This Amendment shall become

effective as of the Effective Date if, on or prior to that date, the Company shall have received counterparts of this Amendment duly executed by the holders of a majority interest of the Registrable Securities and the Additional Investor.

SECTION 4. Reference to and Effect on the Registration Rights

Agreement. (a) Upon the effectiveness of this Amendment, on and after the date

hereof, each reference in the Registration Rights Agreement to "this Agreement," "hereunder," "hereof " or words of like import referring to the Registration Rights Agreement, shall mean and be a reference to the Registration Rights Agreement as amended hereby.

(b) Except as specifically amended above, the Registration Rights Agreement is and shall continue to be in full force and effect and is hereby ratified and confirmed in all respects.

SECTION 5. Execution in Counterparts. This Amendment may be executed

in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

DATED as of this 11th day of October, 1996.

THE COMPANY

CELL THERAPEUTICS, INC.

By: /s/ James A. Bianco

James A. Bianco, M.D.
President and Chief Executive Officer

THE INVESTORS

KUMMELL INVESTMENTS LIMITED

By:

Name:
Title:

By:

Name:
Title:

INTERNATIONAL BIOTECHNOLOGY
TRUST plc

By: /s/ Jeremy Curnock Cook

Name: Jeremy Curnock Cook
Title: Director

W.R. SMITH II

/s/ W.R. Smith

VULCAN VENTURES INC.

By: /s/ William D. Savoy

Name: William D. Savoy
Title: Vice President

THE PHOENIX PARTNERS III LIMITED
PARTNERSHIP

By

Name:
Title:

THE ADDITIONAL INVESTOR

NEW YORK LIFE INSURANCE COMPANY

By: /s/ Richard F. Drake

Name: Richard F. Drake
Title: Investment Vice President

[LETTERHEAD OF CTI APPEARS HERE]

September 17, 1996

KUMMELL INVESTMENTS LIMITED
 Suite 922C
 Europort, Gibraltar

Gentlemen:

This is to confirm our understanding that in consideration for Kummell Investments Limited's ("Kummell") agreement to purchase 14,925.373 shares of the Series A Convertible Preferred Stock, without par value ("Preferred"), of Cell Therapeutics, Inc., a Washington corporation ("CTI"), pursuant to that certain Stock Purchase Agreement dated as of September 17, 1996 by and among CTI and the Investors party thereto (the "Stock Purchase Agreement"), (1) CTI will take all necessary action to nominate a designee of Kummell to CTI's Board of Directors at CTI's 1999 Annual Meeting of Shareholders to serve as a Class II Director until CTI's 2002 Annual Meeting of Shareholders, and (2) if at any time prior to the date that CTI shall have nominated a designee of Kummell to CTI's Board of Directors pursuant to clause (1) Terrence M. Morris shall cease to be a Director of CTI, CTI will take all necessary action to (A) nominate a designee of Kummell to CTI's Board of Directors to fill the vacancy created by Mr. Morris's termination of service as a Director and (B) nominate a designee of Kummell to CTI's Board of Directors at CTI's first Annual Meeting of Shareholders following the date of termination of Mr. Morris's termination of service as a Director to serve as a Class II Director until CTI's 1999 Annual Meeting of Shareholders, in each case provided, that

 Kummell shall have furnished the name of such nominee to the Company within the period required for shareholder nomination of Director candidates pursuant to CTI's Articles of Incorporation and By-laws as then in effect, or in the event that such nomination is pursuant to clause (2) (A), within ten (10) days of the date of termination of Mr. Morris's termination of service as a Director; and provided, further, that such designee is

 reasonably acceptable to CTI's Board of Directors (it being agreed that Mr. Morris is acceptable) .

Notwithstanding the foregoing, this Agreement shall be of no further force and effect:

(i) upon the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), covering the offer and sale of shares of CTI's common stock, without par value ("Common"), for the account of CTI to the public at an aggregate offering price to the public of not less than \$15,000,000;

(ii) upon the acceptance for listing or quotation, as applicable, of any class of equity security of CTI on the New York Stock Exchange or any other national securities exchange or on the NASDAQ National Market or any successor thereto;

(iii) if at any time after the date hereof Kummell shall hold less than twelve percent (12.0%) of the shares of Common then outstanding (after giving effect to an assumed conversion into Common of all shares of Preferred then outstanding);

(iv) if at any time after the date hereof Kummell shall acquire, directly or indirectly, by purchase or otherwise, of record or beneficially, other than by the transactions contemplated by the Stock Purchase Agreement or pursuant to any stock option plan of CTI providing for the grant of stock options to Directors, any securities of CTI or rights or options to acquire any securities from any holder of such securities, without the prior approval of CTI's Board of Directors;

(v) if at any time after the date hereof Kummell or any of its "Affiliates" (as such term is defined in the Securities Act) shall solicit proxies with respect to any securities of CTI under any circumstances or initiate, propose or otherwise solicit any stockholder for the approval of one or more stockholder proposals at any time, or induce or attempt to induce any other person to initiate any stockholder proposal; or

(vi) if as of the last day upon which a shareholder may nominate a candidate for Director at the 1999 Annual Meeting of Shareholders pursuant to CTI's Articles of Incorporation and By-laws as then in effect, a designee of Kummell or an Affiliate of Kummell shall then be serving as a Director with a term of office that will continue beyond the 1999 Annual Meeting of Shareholders.

CTI and Kummell shall consult with each other before issuing any press release or otherwise making any public statements with respect to this Agreement and shall not issue any such press release or make any such public statement without the prior consent of the other party, which shall not be unreasonably withheld;

provided, however, that a party may, without the prior consent of the other

party, issue such press release or make such public statement as may upon the advice of counsel be required by law, the National Association of Securities Dealers or any stock exchange or over-the-counter market upon which CTI's

securities may be listed or quoted, if it has used all reasonable efforts to consult with the other party.

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to CTI the enclosed original copy of this Letter Agreement.

Very truly yours,

CELL THERAPEUTICS, INC.

/s/ James A. Bianco, M.D.

James A. Bianco, M.D.
President & Chief Executive Officer

Agreed and accepted as of the date written above,

KUMMEL INVESTMENTS LIMITED

By: /s/ Andy Kit-Chung Chan

Name: Andy Kit-Chung Chan
Title: Director

By: /s/ Sandra E. Pallas

Name: Sandra E. Pallas
Title: Joint Secretary

CELL THERAPEUTICS, INC.
(A Development Stage Company)
Computation of Net Loss Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
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Net loss	\$ (5,094,025)	\$ (4,863,107)	\$ (12,729,578)	\$ (14,095,176)
Weighted average common shares outstanding	17,300,574	16,581,959	17,283,564	16,541,013
Net loss per share	\$ (0.29)	\$ (0.29)	\$ (0.74)	\$ (0.85)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SEPTEMBER 30, 1996 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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