$12,600,000

Cell Therapeutics, Inc.

56 Units

Each Consisting of 50,000 Shares of Common Stock and 50,000 Warrants To Purchase An Aggregate of 25,000 Shares of Common Stock

$225,000 Per Unit

	Price to Investors[1]	Selling Commissions[2]	Proceeds to Company[3]
Per Unit	$ 225,000	$ 19,125	$ 205,875
Total Minimum 36 Units	$ 8,100,000	$ 688,500	$ 7,411,500
Total Maximum 56 Units[4]	$ 12,600,000	$ 1,071,000	$ 11,529,000

(1) Each of the Units (the "Units") consists of 50,000 shares of Cell Therapeutics, Inc. (the "Company" or "CTI") Common Stock, without par value (the "Common Stock" or the "Shares"), and 50,000 warrants (the "Warrants") to purchase an aggregate of 25,000 Shares. The Warrants included in the Units will expire on the last day of the 30th month following the Final Closing Date (as defined herein), and entitle the holder of two Warrants to purchase one Share at $5.50 per Share. The price of the Units has been determined by the Company after consultation with D. Blech & Company, Incorporated (the "Sales Agent"), an affiliate of the Company. No public trading market exists for the Common Stock or Warrants. See "Risk Factors - No Public Market; Possible Volatility of Share Price; Offering Price."

(2) The Units are being offered and sold to investors on a best efforts basis exclusively through the Sales Agent and, at its discretion, after consultation with the Company, through one or more selected dealers ("Selected Dealers"). The Sales Agent will receive from the Company and may re-allow to the Selected Dealers (i) a selling commission of 8.5% of the price to investors on orders less than $1,000,000, or 5.5% for orders equal to or greater than $1,000,000, and (ii) warrants (the "Sales Agent Warrants") exercisable for five years from the Final Closing Date to purchase a number of Shares of Common Stock at $4.50 per Share (the same price per Share to be paid by investors in this offering, assuming no value is ascribed to the Warrants included in the Units) equal to 10% of the Shares contained in the Units sold in this offering. All information in this Memorandum assumes a commission of 8.5%. The Sales Agent will also be reimbursed by the Company for its legal fees and up to $50,000 of its expenses.

(3) Before deducting expenses related to this offering that are payable by the Company, estimated to be $250,000, including the Sales Agent's reimbursable expenses.

(4) The Company has granted to the Sales Agent an option to sell up to 12 additional Units (the "Over-Subscription Units") solely to cover over-subscriptions, if any. If the Sales Agent exercises this option in full, the Price to Investors will total $15,300,000, the Selling Commissions will total $1,300,500 and the Proceeds to Company will total $13,999,500.

The Company expects to hold an initial closing of this offering (the "Initial Closing") after the minimum 36 Units have been subscribed (the "Initial Closing Date"). The final closing (the "Final Closing") of this offering is expected to occur on or about July 2, 1993, subject to an extension of the offering for up to 90 days by mutual agreement of the Company and the Sales Agent (such date, as it may be extended, the "Final Closing Date"). The Company's officers, directors and employees and their respective affiliates and family members may purchase Units (the "Affiliate Units") on the same terms and conditions as other investors, except that selling commissions on such Affiliate Units will be waived by the Sales Agent. Purchases may also be made by officers, directors and employees of the Sales Agent, and their respective affiliates and family members (the "Sales Agent Units"). All such purchases of Affiliate Units and Sales Agent Units may be used to satisfy the minimum 36 Units, but will not count toward the maximum 56 Units in this offering. See "Plan of Distribution." Pending each closing, each prospective investor's payment accompanying the Subscription Agreement will be deposited in a segregated, interest-bearing escrow account with Citibank, N.A. (the "Escrow Agent"). See "Subscription Procedures."

The Sales Agent may have a conflict of interest in this offering. David Blech, the sole stockholder and Chief Executive Officer of the Sales Agent, is also a founder, director and principal stockholder of the Company. See "Risk Factors - Potential Conflict of Interest" and "Certain Transactions."

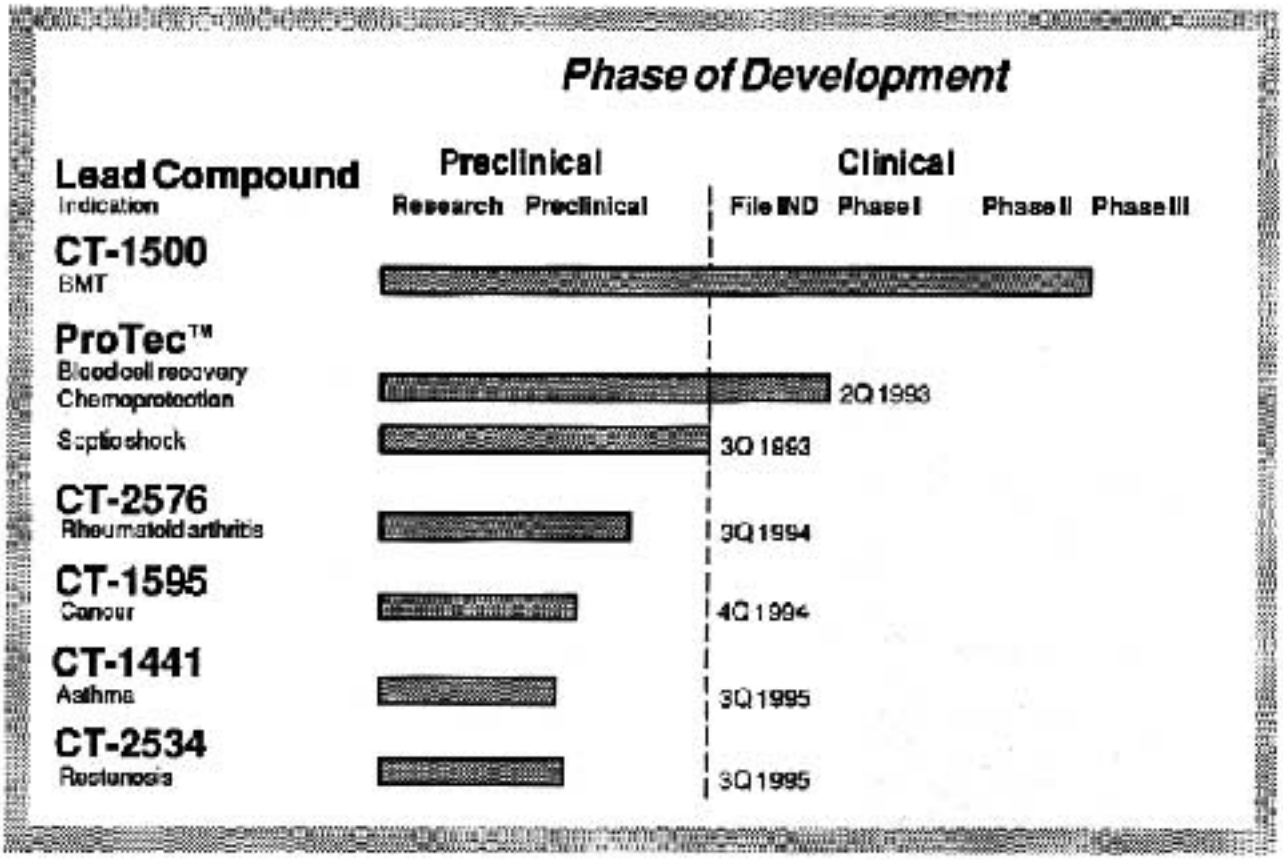
The date of this Memorandum is June 15, 1993

D. Blech & Company,
Incorporated

Drug Discovery and Development Programs

The Company's drug discovery and development programs and their status are summarized in Figure 2. The left hand column indicates the Company's lead compounds and their therapeutic indication. The bar chart illustrates the phase of compound development and anticipated dates for filing IND applications or initiating various phases of clinical trials. The progress of research and development projects is difficult to predict with certainty and is inherently subject to the complications and delays encountered in connection with the utilization of unproven technology. Accordingly, there can be no assurance that the Company will achieve the milestones set forth below by the anticipated dates or at all.

Figure 2



Therapeutic Compounds and Clinical Trial Results

CT-1500

CT-1500 is the Company's proprietary combination of pentoxifylline (Trental) with a quinolone antibiotic (Cipro). The initial development efforts of the Company were based on its discovery that Trental, a compound owned by HRPI and approved for the treatment of an indication unrelated to those being pursued by the Company, had temporary therapeutic benefits when administered to BMT recipients at recommended dosage levels. However, when the Company tried to increase the therapeutic benefits of Trental by increasing the dosage level, patients suffered intolerable side effects. CTI then discovered that the use of Cipro, an antibiotic compound owned by Miles, when used in combination with Trental, resulted in significant therapeutic benefits without undue side effects. Although CT-1500 has proven effective in

Phase II clinical trials with BMT recipients and in patients receiving IL-2 therapy for kidney cancer, the application of this therapeutic approach to a broad range of diseases is limited for several reasons. First, Cipro is a broad spectrum antibiotic that should not be administered on a long-term basis, thus limiting the use of CT-1500 in chronic applications. Second, frequent dosing intervals are required for CT-1500; third, due to hereditary differences not all patients are capable of generating what the Company believes is the active metabolite (CT-1501R) when administered CT-1500. In addition, the Company would have to obtain licenses from third parties for the use of Trental and Cipro, both of which have been patented in the United States and abroad. Although the only remaining patents for Trental are U.S. patents expiring in March 1997, the U.S. and foreign patents for Cipro have significant remaining lives.

Clinical Trial Results. CTI's clinical trials to date have indicated that CT-1500 safely improves the overall recovery of humans undergoing BMT and reduces the toxic dose-limiting of IL-2 treatment. CTI scientists believe that these results are accomplished through regulation of the Bursten Pathway, thus ameliorating or preventing the potentially damaging effects resulting from activation of this pathway. The treatment and subsequent complications associated with BMT patients provide a particularly useful context for examining the beneficial effects of blocking the activation of the Bursten Pathway. Such patients exhibit life-threatening inflammation and severe autoimmune-like diseases believed to be linked to the activation of this pathway. Despite the growing use of BMT in the treatment of cancer, successful outcomes of BMT therapies are limited primarily by the failure of the transplant to cure the diseases and by the damage caused to patients by the high doses of radiation and chemotherapy administered to eradicate their cancer.

In the Phase II clinical trials, CT-1500 was administered to 75 patients receiving three types of BMT. Twenty seven patients received bone marrow donated from a genetically similar brother or sister; 20 patients received marrow from donors that were unrelated or genetically mismatched, a group at high risk for graft versus host disease ("GvHD" - an immune disorder) and organ rejection; and the remaining 28 patients received transplants of their own bone marrow.

The administration of CT-1500 improved the overall recovery of patients receiving each type of transplant when compared to the patients receiving standard transplant therapies. The following clinical trial data demonstrate the effectiveness of CT-1500 when used in two particularly high risk groups of BMT recipients: patients with advanced leukemia and lymphoma who have a high risk of organ toxicity and disease relapse and a second group of patients who have received bone marrow transplants from unrelated, mismatched donors (a type of transplant at high risk for severe GvHD and graft rejection). In each setting, CT-1500 was administered with the standard treatment regimen in an attempt to block activation of the immune and inflammatory response.

When compared to similar risk groups of patients with advanced leukemia and lymphoma receiving either a standard transplant regimen (consisting of high doses of radiation and chemotherapy, in addition to cyclosporin and prednisone) or a standard regimen plus GM-CSF (a genetically engineered cytokine), the standard regimen plus CT-1500 therapy resulted in:

- improvement of one-year survival rates from 7% to 74% and two-year survival rates from 7% to 44%
- significant anti-cancer effects, resulting in a reduction in one-year cancer relapse rates from 62% to 15% and two-year cancer relapse rates from 62% to 25%
- significant protection of vital organs from the toxic effects of acute inflammation caused by radiation and chemotherapy
- equivalence to GM-CSF and granulocyte colony-stimulating factor ("G-CSF") (based on previously reported studies involving G-CSF) in promoting the recovery of white blood cells

- superiority to GM-CSF and G-CSF by promoting the rapid recovery of red blood cells and platelets, neither of which is accomplished by these therapeutics
- elimination of all life-threatening cases of GvHD, while enhancing patients' ability to fight general infection

In extended clinical studies, the potential beneficial effects of CT-1500 were examined in patients with refractory renal cell cancer receiving IL-2. Successful outcome among patients receiving IL-2 therapy is limited by the toxic side effects of the high dose of IL-2 required to eradicate their cancer. The ability to deliver higher doses of IL-2 by reducing its toxicities may allow better tumor responses in such patients.

The results of this study conducted at the University of Washington and recently presented at the 1993 American Society of Clinical Oncology meeting are shown in Table 1.

TABLE 1

	INCIDENCE OF TOXICITY	
COMPLICATION	IL-2 (n=33)	IL-2 + CT-1500 (n=18)
Kidney dysfunction[1]	73%	52%
Metabolic disturbance[1]	39%	23%
Infection	14%	0%
IL-2 discontinuation[2]	54%	11%

[1] Signifies statistical significance p value <0.005

[2] Denotes percentage of patients requiring discontinuation of IL-2 due to kidney toxicity. (p<0.01)

When compared to a control group of patients with advanced renal cell cancer receiving IL-2 therapy, patients who received IL-2 therapy plus CT-1500 had significantly less kidney, liver and metabolic dysfunction while allowing more days of full doses of IL-2 to be administered.

Advanced Clinical Trials Provide "Proof of Principle"

The Company believes its Phase II trial results of CT-1500 provided the following advantages for CT-1501R (ProTec™), its second generation compound:

Validation of Technology. The Company believes its Phase II CT-1500 clinical trials validated its proprietary therapeutic approach of regulating activity in the Bursten Pathway through compounds designed to target activation of critical enzymes in this pathway.

Accelerated Regulatory Process. The Company believes that because CT-1501R (ProTec™) is the active agent of CT-1500, information regarding safety and dosing obtained from these clinical trials has shortened certain aspects of the regulatory process for ProTec™. Such safety and dosing information appeared to be a factor in the Company's receiving regulatory approval to initiate clinical trials with ProTec™ on an expedited basis.