SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 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 incorporation or organization)	(IRS Employer Identification No.)

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

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

Indicate by check [x] 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 X _____

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 July 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

	June 30, 1996 (Unaudited)	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,453,064	$ 6,931,592
Securities available-for-sale	10,696,000	14,974,430
Prepaid expenses	53,585	20,080
Total current assets	15,202,649	21,926,102
Property and equipment, net	5,514,973	5,713,227
Note receivable from officer	227,074	221,722
Other assets	160,436	187,244
Deferred offering costs	332,337	--
Total assets	$ 21,437,469	$ 28,048,295
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,720,092	$ 1,057,428
Accrued expenses	1,316,033	1,412,424
Current portion of long-term obligations	1,278,680	1,114,520
Total current liabilities	4,314,805	3,584,372
Long-term obligations, less current portion	2,598,377	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--95,447.004 at June 30, 1996 and December 31, 1995 (liquidation preference $335 per share aggregating $31,974,746)	30,496,204	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 June 30, 1996 and December 31, 1995, respectively	51,808,820	51,481,481
Deficit accumulated during development stage	(67,780,737)	(60,119,460)

Total stockholders' equity	14,524,287	21,858,225
Total liabilities and stockholders' equity	$ 21,437,469	$ 28,048,295

See accompanying notes.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		PERIOD FROM SEPTEMBER 4, 1991 (DATE OF INCORPORATION) TO JUNE 30,
	1996	1995	1996	1995	1996
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Revenues:					
Collaboration agreements	$ --	$ --	$ 3,000,000	$ --	$ 3,100,000
Operating expenses:					
Research and development	3,929,675	3,155,026	7,425,573	6,486,639	51,792,416
General and administrative	1,635,818	1,657,614	3,498,416	2,949,350	21,034,886
	5,565,493	4,812,640	10,923,989	9,435,989	72,827,302
Loss from operations	(5,565,493)	(4,812,640)	(7,923,989)	(9,435,989)	(69,727,302)
Other income (expense):					
Investment income	247,692	339,666	547,695	450,935	3,347,235
Interest expense	(123,340)	(117,835)	(259,259)	(247,015)	(1,399,124)
Net loss	$(5,441,141)	$(4,590,809)	$(7,635,553)	$(9,232,069)	$(67,779,191)
Net loss per share	$ (0.31)	$ (0.28)	$ (0.44)	$ (0.56)	
Shares used in computation of net loss per share	17,282,015	16,520,802	17,275,060	16,520,540	

See accompanying notes.

CELL THERAPEUTICS, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30,		PERIOD FROM SEPTEMBER 4, 1991 (DATE OF INCORPORATION) TO JUNE 30,
	1996	1995	1996
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
OPERATING ACTIVITIES			
Net loss	$(7,635,553)	$(9,232,069)	$(67,779,191)

Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	827,457	868,967	5,630,243
Noncash research and development expense	--	--	1,155,750
Noncash interest expense	--	--	25,918
Noncash rent expense	16,698	16,698	456,770
Investment premium amortization	59,805	61,230	470,551
Changes in assets and liabilities:			
Prepaid expenses	(33,505)	(37,298)	(53,585)
Note receivable from officer	(5,352)	(5,352)	(227,074)
Other assets	18,536	(411)	(263,389)
Accounts payable	662,664	194,565	1,720,092
Accrued expenses	(96,391)	(599,860)	1,316,033
Total adjustments	1,449,912	498,539	10,231,309
Net cash used in operating activities	(6,185,641)	(8,733,530)	(57,547,882)
INVESTING ACTIVITIES			
Purchases of securities available-for-sale	(3,881,099)	--	(52,793,197)
Proceeds from sales of securities available for-sale	--	3,601,720	14,890,313
Proceeds from maturities of securities available-for-sale	8,074,000	--	26,734,787
Purchase of property and equipment	(620,931)	(98,680)	(10,909,227)
Dispositions of property and equipment	--	--	151,469
Net cash provided by (used in) investing activities	3,571,970	3,503,040	(21,925,855)
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	--	30,496,204	30,496,204
Sale of common stock via private placements, net of offering costs	--	--	49,307,084
Repurchase of common stock	--	--	(2,522)
Proceeds from common stock options exercised	21,781	5,250	79,420
Proceeds from common stock warrants exercised	305,558	--	305,558
Change in deferred offering costs	(332,337)	458,726	(332,337)
Repayment of long-term obligations	(476,159)	(1,080,370)	(7,788,240)
Proceeds from the issuance of long-term obligations	616,300	--	10,931,634
Net cash provided by financing activities	135,143	29,879,810	83,926,801
Net increase (decrease) in cash and cash			

equivalents.....	(2,478,528)	24,649,320	4,453,064
Cash and cash equivalents at beginning of period.....	6,931,592	2,408,256	--
Cash and cash equivalents at end of period.	$ 4,453,064	$27,057,576	$ 4,453,064
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...	$ 261,508	$ 259,535	$ 1,372,999

See accompanying notes.

CELL THERAPEUTICS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

June 30, 1996
(Unaudited)

(1) Summary of Significant Accounting Policies

The accompanying unaudited financial information of Cell Therapeutics, Inc. (the "Company") as of June 30, 1996 and for the three and six months ended June 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 six month periods ended June 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.

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

(2) Long-Term Obligations

In June 1996, under the terms of an existing master financing agreement, the Company borrowed an additional $616,300 in exchange for granting the lessor a security interest in approximately the same net book value of specific fixed assets. The borrowing is repayable over 38 months, due August 1999, with monthly payments of $20,523, including interest at 16.1%.

(3) Equity Offerings

On April 26, 1996, the Company filed a registration statement on Form S-1 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.

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 June 30, 1996, the Company had incurred aggregate net losses of approximately $67.8 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. To date, the Company's operations have been funded primarily from the sale of equity securities, which have raised aggregate net proceeds of approximately $81.1 million.

In February 1996 the Company entered into an agreement with Schering AG ("Schering") pursuant to which, among other things, the Company and Schering would collaborate in the funding, research, development and commercialization of Lisofylline and CT-2584 on the terms and conditions specified therein. Upon execution of the agreement, Schering paid the Company a $3,000,000 non-refundable signing fee. The remainder of the agreement was contingent upon Schering finding the clinical trial results and related data from the Company's Phase II/III BMT trial (the "Trial Data") acceptable within thirty days after its receipt. The Company furnished Schering with the Trial Data in late February 1996. On April 2, 1996, after a mutual extension of the thirty-day review period, Schering informed the Company that it did not wish to activate the agreement. Although the agreement did not require Schering to specify in detail its reasons for not activating the agreement, Schering informed the Company that its decision was based on, among other factors, (i) its view that one of the endpoints of the Phase II/III BMT trial, white blood cell recovery, was not met and (ii) its view that the Trial Data regarding mortality rate and incidence of serious and fatal infection were difficult to interpret and that, as a result, Schering could not determine that the data was meaningful.

As a result of Schering's decision not to activate the agreement and following the Company's review of the Trial Data, the Company revised its planned expenditures for 1996 and 1997, resulting in a reduction of approximately $11.4 million. These reductions consisted primarily of the elimination of expenses which would have been incurred at Schering's request in connection with seeking regulatory approval for Lisofylline and CT-2584 in Europe and Japan, and certain planned research activities that would have been sponsored by Schering under the agreement. These reduced expenditures also reflect the Company's decision to delete a 2 mg/kg (low dose) component from the Company's planned pivotal Phase III trial for Lisofylline following the Company's review of the Trial Data.

As part of its ongoing business, the Company engages in discussions with potential collaborators from time to time regarding the development, manufacturing and commercialization of Lisofylline, CT-2584 and other products under development. Although there can be no assurance that the Company will enter into any such collaborative arrangement on acceptable terms, the Company believes that Schering's decision not to activate the agreement will not have a material adverse impact on the Company's ability to enter into any such collaborative arrangement on commercially reasonable terms.

Results of Operations

Three months ended June 30, 1996 compared with three months ended June 30, 1995

The Company did not have any operating revenue during the quarters ended June 30, 1996 or June 30, 1995.

Research and development expenses increased to approximately $3.9 million for the quarter ended June 30, 1996 from approximately $3.2 million for the quarter ended June 30, 1995. This increase was primarily due to expanded research, development and clinical activities with respect to Lisofylline. The Company expects that research and development expenses will increase significantly in 1996 and future years as the Company expands its research and development programs and undertakes additional clinical trials.

General and administrative expenses remained at approximately $1.6 million for the quarter ended June 30, 1996 when compared with the quarter ended June 30, 1995. 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 $124,000 for the quarter ended June 30, 1996 from approximately $222,000 for the quarter ended June 30, 1995. This decrease was primarily associated with interest earnings on a lower average balance of cash reserves between the quarters.

Six months ended June 30, 1996 compared with six months ended June 30, 1995

During the six months ended June 30, 1996, the Company received a $3.0 million non-refundable signing fee from Schering in connection with the collaboration agreement discussed above under "Overview." The Company's agreement with Schering terminated in April 1996. The Company did not have any operating revenue during the six months ended June 30, 1995.

Research and development expenses increased to approximately $7.4 million for the six months ended June 30, 1996 from approximately $6.5 million for the six months ended June 30, 1995. This increase was primarily due to expanded research, development and clinical activities with respect to Lisofylline.

General and administrative expenses increased to approximately $3.5 million for the six months ended June 30, 1996 from approximately $3.0 million for the six months ended June 30, 1995. This increase is primarily due to legal costs associated with the Schering arrangement discussed above and to operating expenses associated with supporting the Company's increased research, development and clinical activities.

Investment income net of interest expense increased to approximately $288,000 for the six months ended June 30, 1996 from approximately $204,000 for the six months ended June 30, 1995. This increase was primarily associated with interest earnings on a higher average balance of cash reserves between the six 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 June 30, 1996, the Company had raised aggregate net proceeds of approximately $83.9 million from such financing activities, including $30.5 million

from the sale of Convertible Preferred Stock in 1995, $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 postponed initial public offering. In addition, the Company financed the purchase of approximately $10.9 million of property and equipment through financing agreements, of which approximately $3.2 million remained outstanding as of June 30, 1996.

The Company's principal sources of liquidity are its cash balances, cash equivalents and securities available-for-sale, which totaled approximately $15.1 million as of June 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 the first quarter of 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

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 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.

At June 30, 1996, the Company had net operating loss carryforwards of approximately $62.6 million and research and development credit carryforwards of approximately $1.7 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

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.

PART II

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On April 29, 1996, the Company held its 1996 Annual Meeting of Shareholders (the "Annual Meeting"). Each share of Common Stock was entitled to one vote per share, and each share of Series A Convertible Preferred Stock, without par value ("Preferred Stock"), which votes with the Common Stock on an as-converted basis, was entitled to 100 votes per share.

At the Annual Meeting, the following Directors were elected to serve until the 1999 Annual Meeting of Shareholders and until their respective successors are elected and qualified:

Director Nominated	Votes For	Votes Against
Max E. Link, Ph.D.	20,508,488	16,050
David W. Martin, Jr., Ph.D.	20,508,488	16,050
Terrence M. Morris	20,493,488	31,050

In addition, the holders of the Preferred Stock, voting as a separate class, elected Mr. Jeremy L. Curnock Cook to serve as a Director until the earlier to occur of the 1998 Annual Meeting of Shareholders or the first Annual Meeting of Shareholders following the automatic conversion of the Preferred Stock in accordance with its terms and until his successor is elected and qualified. There were 8,500,347 votes cast for and 0 votes cast against Mr. Curnock Cook.

Each of the following members of the Board of Directors, who was not up for re-election during the current year, has a term that expires at the Annual Meeting of Shareholders in the year set forth across from such Director's name below and until his successor is elected and qualified:

Director	Year
James A. Bianco, M.D.	1997
Jack L. Bowman	1998
Wilfred E. Jaeger, M.D.	1997
Phillip M. Nudelman, Ph.D.	1998
Jack W. Singer, M.D.	1997

The Company's Stockholders also approved a proposal for the adoption of amendments to the Company's 1994 Equity Incentive Plan (the "1994 Plan") to (i) increase the number of shares of Common Stock available for grant under the 1994 Plan by 1,775,000 shares to a total of 4,655,710 shares, (ii) change the formula for automatic option grants to non-employee Directors, and (iii) provide for immediate vesting of options issued under the 1994 Plan upon the occurrence of certain events. With respect to this proposal there were 17,690,189 votes cast for the proposal, 865,135 votes cast against the proposal, and 1,969,213 abstentions.

The Company's Stockholders also approved a proposal for the adoption of the 1996 Employee Stock Purchase Plan, which includes an aggregate of 1,000,000 shares of Common Stock available for issuance thereunder. With respect to this proposal there were 19,718,670 votes cast for the proposal, 616,849 votes cast against the proposal, and 189,018 abstentions.

The Company's Stockholders also approved a proposal to conditionally amend the Company's Restated Articles of Incorporation pursuant to which a reverse stock split of the outstanding shares of Common Stock would be effected on the basis of two new shares of common stock, without par value ("New Common Stock"), for five outstanding shares of Common Stock. In the event the Company does not have a registration statement in connection with a public offering of Common Stock declared effective by the Securities and Exchange Commission prior to December 31, 1996, the conditional amendment will not be filed with the Washington Secretary of State and the reverse stock split will not be effected. With respect to this proposal there were 20,011,402 votes cast for the proposal, 389,978 votes cast against the proposal, and 133,818 abstentions.

No other matters were voted on at the Annual Meeting.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Loan and Security Agreement, dated as of June 28, 1996, between the Company and Financing for Science International, Inc.

11.1 Computation of net loss per share

27.1 Financial Data Schedule

(b) Reports on Form 8-K

None.

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: August 13, 1996

By: \s\ JAMES A. BIANCO, M.D.

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

Dated: August 13, 1996

By: \s\ LOUIS A. BIANCO

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

EXHIBIT 10.1

A SECURITY INTEREST IN THIS LOAN AND SECURITY AGREEMENT TO BE PERFECTED BY POSSESSION MAY ONLY BE PERFECTED BY POSSESSION OF THE ONE SIGNED COPY OF THIS LOAN AND SECURITY AGREEMENT.

LOAN AND SECURITY AGREEMENT

LOAN AND SECURITY AGREEMENT dated as of June 28, 1996 (the "Agreement") between CELL THERAPEUTICS, INC., a Washington corporation with its executive office and principal place of business at 201 Elliott Avenue, West #400, Seattle, Washington 98119 (the "Borrower"), and FINANCING FOR SCIENCE INTERNATIONAL, INC., a Delaware corporation with its executive office and principal place of business at 10 Waterside Drive, Farmington, Connecticut 06032-3065 ("Lender").

1. Obligation to pay. The Borrower concurrently with the execution and delivery of this Agreement is borrowing Six Hundred Sixteen Thousand, Three Hundred and 00/100 Dollars ($616,300.00) from the Lender, which borrowing is evidenced by the Borrower's promissory notes bearing the same date as this Agreement in the amounts of $781,918.70 (the "Promissory Note").

2. Purpose of Loan and Collateral. The Borrower desires to enter into this Agreement for the purpose of financing its acquisition of, and creating a lien and security interest in favor of the Lender in, and hereby grants the Lender a security interest in, the collateral described on Schedule A attached hereto, and all additions and accessions thereto, substitutions therefor and proceeds thereof and any leases thereof or rentals therefrom (all hereinafter called the "Collateral"), to secure the obligations of the Borrower now existing and hereafter arising under this Agreement and under all of the Notes under the Master Loan and Security Agreement between Borrower and Lender dated May 30, 1995 ("Master Agreement").

3. Obligations of Borrower. The Borrower shall be obligated under this Agreement to make payment of (1) the debt evidenced by the Promissory Note, including renewals and extensions thereof, and any other present or future obligations of the Borrower to the Lender including, but not limited to, other Notes secured by the Collateral and by other personal property of Borrower, (2) any costs and expenses incurred in collection of the Promissory Note or enforcement of the covenants and obligations of the Borrower in this Agreement or under the Master Agreement, (3) any future advances made by the Lender for taxes, levies, insurance, and repairs to or maintenance of or on the Collateral or the other Equipment, and (4) the costs for performance by the Lender of any of the covenants and obligations of the Borrower under this Agreement or the Master Agreement that are not timely performed by the Borrower.

4. Stipulated Loss Value. The Stipulated Loss Value of the goods included in the Collateral shall be as provided in Schedule B attached hereto.

5. Terms of Master Agreement. The terms of the Master Agreement are hereby incorporated into and made part of this Agreement with the same effect as though hereat set forth at length. Any declaration that the Obligations have been declared in default under the Master Agreement shall be a default under this Loan and Security Agreement and permit exercise of all remedies either provided or permitted by the Master Agreement.

Witness the execution hereof the day and year first above written. [SEAL]

CELL THERAPEUTICS, INC.

ATTEST:

(SEAL) By /s/ Louis A. Bianco

/s/ Jeffrey B. Oster
Assistant Secretary

ATTEST:

(SEAL)

STATE OF WASHINGTON
COUNTY OF KING

Executive Vice President, Finance and Administration

FINANCING FOR SCIENCE INTERNATIONAL, INC.

By /s/ Duane E. Starr
Senior Vice President
Asset Management

On this 24th day of June in the year 1996 before me, Sally Teeters, a notary public, personally appeared Officers, known to me to be Officers of the corporation that executed the within instrument and the person who executed the within instrument on behalf of said corporation, and acknowledged to me that said corporation executed the within instrument pursuant to a resolution of its board of directors.

/s/ Sally Teeters
Sally Teeters
Notary Public

[SEAL]

Exhibit 11.1

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
Net loss	$(5,441,141)	$(4,590,809)	$(7,635,553)	$(9,232,069)
Weighted average common shares outstanding	17,282,015	16,520,802	17,275,060	16,520,540
Net loss per share	$ (0.31)	$ (0.28)	$ (0.44)	$ (0.56)

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM JUNE 30, 1996 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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