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UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

[REDACTED] individually and on behalf
of all others similarly situated,

Plaintiff,

v.

CELL THERAPEUTICS, INC., DR. JAMES A.
BIANCO M.D. and DR. JACK W. SINGER
M.D.,

Defendants.

No.
CLASS ACTION COMPLAINT

Plaintiff has alleged the following based upon the investigation of Plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Cell Therapeutics, Inc. ("Cell Therapeutics" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF ACTION

1. This is a federal class action on behalf of purchasers of the common stock of Cell Therapeutics between May 5, 2009 and February 8, 2010, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

CLASS ACTION COMPLAINT - 1
Case No.

1 (c) Defendants Bianco and Singer are referred to herein as the “Individual
2 Defendants.”

3 9. During the Class Period, the Individual Defendants, as senior executive officers
4 and/or directors of Cell Therapeutics, were privy to confidential and proprietary information
5 concerning Cell Therapeutics, its operations, finances, financial condition and present and future
6 business prospects. The Individual Defendants also had access to material adverse non-public
7 information concerning Cell Therapeutics, as discussed in detail below. Because of their
8 positions with Cell Therapeutics, the Individual Defendants had access to non-public information
9 about its business, finances, products, markets and present and future business prospects via
10 internal corporate documents, conversations and connections with other corporate officers and
11 employees, attendance at management and/or board of directors meetings and committees
12 thereof and via reports and other information provided to them in connection therewith. Because
13 of their possession of such information, the Individual Defendants knew or recklessly
14 disregarded that the adverse facts specified herein had not been disclosed to, and were being
15 concealed from, the investing public.

16 10. The Individual Defendants are liable as direct participants in the wrongs
17 complained of herein. In addition, the Individual Defendants, by reason of their status as senior
18 executive officers and/or directors, were “controlling persons” within the meaning of Section
19 20(a) of the Exchange Act and had the power and influence to cause the Company to engage in
20 the unlawful conduct complained of herein. Because of their positions of control, the Individual
21 Defendants were able to and did, directly or indirectly, control the conduct of Cell Therapeutics’s
22 business.

23 11. The Individual Defendants, because of their positions with the Company,
24 controlled and/or possessed the authority to control the contents of its reports, press releases and
25 presentations to securities analysts and through them, to the investing public. The Individual
26 Defendants were provided with copies of the Company’s reports and press releases alleged

1 herein to be misleading, prior to or shortly after their issuance and had the ability and
2 opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual
3 Defendants had the opportunity to commit the fraudulent acts alleged herein.

4 12. As senior executive officers and/or directors and as controlling persons of a
5 publicly traded company whose common stock was, and is, registered with the SEC pursuant to
6 the Exchange Act, and was, and is, traded on The NASDAQ Stock Market ("NASDAQ") and
7 governed by the federal securities laws, the Individual Defendants had a duty to promptly
8 disseminate accurate and truthful information with respect to Cell Therapeutics's financial
9 condition and performance, growth, operations, financial statements, business, products, markets,
10 management, earnings and present and future business prospects, and to correct any previously
11 issued statements that had become materially misleading or untrue, so that the market price of
12 Cell Therapeutics's common stock would be based upon truthful and accurate information. The
13 Individual Defendants' misrepresentations and omissions during the Class Period violated these
14 specific requirements and obligations.

15 13. The Individual Defendants are liable as participants in a fraudulent scheme and
16 course of conduct that operated as a fraud or deceit on purchasers of Cell Therapeutics's
17 common stock by disseminating materially false and misleading statements and/or concealing
18 material adverse facts. The scheme: (i) deceived the investing public regarding Cell
19 Therapeutics's business, operations and management and the intrinsic value of Cell
20 Therapeutics's securities; (ii) enabled the Individual Defendants and certain Company insiders to
21 collectively sell 2,546,465 shares of their personally-held Cell Therapeutics common stock for
22 gross proceeds in excess of \$3.5 million; (iii) allowed the Company to complete an offering of
23 33,731,923 shares of its common stock and warrants to purchase up to 8,432,981 shares of its
24 common stock, whereby the Company received approximately \$40.3 million in net proceeds; and
25 (iv) caused Plaintiff and members of the Class to purchase Cell Therapeutics common stock at
26 artificially inflated prices.

1 **IV. CLASS ACTION ALLEGATIONS**

2 14. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
3 Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the
4 common stock of Cell Therapeutics between May 5, 2009 and February 8, 2010, inclusive, and
5 who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers
6 and directors of the Company, at all relevant times, members of their immediate families and
7 their legal representatives, heirs, successors or assigns and any entity in which Defendants have
8 or had a controlling interest.

9 15. The members of the Class are so numerous that joinder of all members is
10 impracticable. Throughout the Class Period, Cell Therapeutics common stock was actively
11 traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at
12 this time and can only be ascertained through appropriate discovery, Plaintiff believes that there
13 are hundreds or thousands of members in the proposed Class. Record owners and other members
14 of the Class may be identified from records maintained by Cell Therapeutics or its transfer agent
15 and may be notified of the pendency of this action by mail, using the form of notice similar to
16 that customarily used in securities class actions.

17 16. Plaintiff's claims are typical of the claims of the members of the Class as all
18 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
19 federal law complained of herein.

20 17. Plaintiff will fairly and adequately protect the interests of the members of the
21 Class and has retained counsel competent and experienced in class action and securities
22 litigation.

23 18. Common questions of law and fact exist as to all members of the Class and
24 predominate over any questions solely affecting individual members of the Class. Among the
25 questions of law and fact common to the Class are:
26

1 (a) whether the federal securities laws were violated by Defendants' acts as
2 alleged herein;

3 (b) whether statements made by Defendants to the investing public during the
4 Class Period misrepresented material facts about the business and operations of Cell
5 Therapeutics;

6 (c) whether the price of Cell Therapeutics common stock was artificially
7 inflated during the Class Period; and

8 (d) to what extent the members of the Class have sustained damages and the
9 proper measure of damages.

10 19. A class action is superior to all other available methods for the fair and efficient
11 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
12 the damages suffered by individual Class members may be relatively small, the expense and
13 burden of individual litigation make it impossible for members of the Class to individually
14 redress the wrongs done to them. There will be no difficulty in the management of this action as
15 a class action.

16 V. SUBSTANTIVE ALLEGATIONS

17 A. Background

18 20. Defendant Cell Therapeutics describes itself as a "biopharmaceutical company
19 committed to developing an integrated portfolio of oncology products aimed at making cancer
20 more treatable."

21 21. One of the products that the Company developed is pixantrone, a phase III trial
22 product, for non-Hodgkin's lymphoma. The Company describes pixantrone as a "novel
23 topoisomerase II inhibitor with an aza-anthracenedione molecular structure that differentiates it
24 from the anthracyclines and other related chemotherapy agents." According to the Company,
25 pixantrone, unlike other anthracyclines, is not "cardiotoxic." In other words, anthracyclines
26 "cause cumulative heart damage that may result in congestive heart failure many years later."

1 22. On March 4, 2004, the Company issued a press release announcing that the U.S.
2 Food and Drug Administration (“FDA”) has “provided guidance through the Special Protocol
3 Assessment (“SPA”) process for a randomized pivotal trial of Pixantrone in the treatment of
4 relapsed, aggressive non-Hodgkin’s lymphoma (“NHL”).” The press release continued, in
5 pertinent part, as follows:

6 The trial protocol and supporting data are in the final stages of
7 review with the FDA and initiation of the pivotal study is planned
8 for later this month. The trial is designed to examine the complete
9 response (CR) rate, time to tumor progression, and overall survival
10 of patients with aggressive NHL who have failed front-line and at
11 least one second-line multi-agent chemotherapy regimen. Patients
12 will be randomized to receive either Pixantrone or another
13 currently used, single-agent drug of physician’s choice. **FDA has
14 indicated that Pixantrone would qualify for accelerated
15 approval based upon the successful conclusion of this trial and
16 supporting data from ongoing and completed clinical studies.
17 The trial is expected to enroll approximately 320 patients with
18 enrollment taking approximately 12 months to complete.**

19 “Current single-agent treatments for patients who have failed two
20 or more prior multi-agent regimens produce partial responses in
21 only about 10 to 15 percent of patients and those responses are
22 typically short-lived, lasting on average approximately three
23 months. Complete responses are not typically reported in this
24 population of patients with currently available single-agents and
25 are considered by international lymphoma experts and the FDA as
26 the ‘gold standard’ to demonstrate a clinically meaningful benefit
to patients with this disease,” stated James A. Bianco, M.D.,
President and CEO of CTI. “Although anthracyclines are the most
potent class of drugs for treating this disease, the cumulative heart
damage associated with their use in front-line regimens prevents
patients from receiving further treatment with these drugs, leaving
them with no approved effective treatment options.”

 The design for this pivotal trial was supported by phase I/II data
from approximately 170 patients with relapsed or refractory,
aggressive NHL treated with Pixantrone. In CTI’s phase I/II
experience of among 36 elderly, relapsed, aggressive NHL
patients, 12 patients (33 percent) had significant shrinkage of their
tumors with seven patients (20 percent) experiencing a complete
disappearance (CR) of their cancer. Importantly, the responses
were long-lived with a median duration of response of more than
11 months. The results from these studies indicate that the
regimen was generally well tolerated; some dosing was delayed or
omitted due to myelosuppression.

1 With the initiation of this pivotal study, CTI has two phase III and
2 five phase II clinical studies of Pixantrone planned or ongoing
3 involving single-agent or combination therapy in the treatment of
4 first, second, or third-line aggressive NHL or indolent NHL. In the
5 United States, it is estimated that more than 33,000 patients receive
6 salvage therapy for third-line or greater NHL each year, with more
7 than 60,000 patients receiving multi-agent chemotherapy for front-
8 line or second-line treatment. [Emphasis added.]

9 23. On March 25, 2008, the Company issued a press release announcing that
10 “enrollment is complete in the phase III EXTEND (PIX301) clinical trial of pixantrone.”
11 Defendant Singer, commenting on the patient enrollment, stated, in pertinent part, as follows:

12 “PIX301 examines the effectiveness of pixantrone in patients with
13 relapsed and refractory diffuse large B cell lymphoma, a
14 population where current therapies seldom induce complete
15 remissions. Based on a blinded current independent assessment of
16 events in the trial we believe we have an adequate sample size of
17 eligible patients to meet the primary objective of the trial.”

18 With regard to the enrollment of patients in the pixantrone study, the press release stated, in
19 pertinent part, as follows:

20 About the EXTEND (PIX301) Clinical Trial

21 The EXTEND clinical trial is a phase III single agent trial of
22 pixantrone for patients with relapsed, aggressive non-Hodgkin’s
23 lymphoma who received two or more prior therapies and who were
24 sensitive to treatment with anthracyclines. The trial was conducted
25 at 130 sites in 17 countries. Patients were randomized to receive
26 either pixantrone or another single-agent drug currently used for
the treatment of this patient population and selected by the
physician. The trial was designed to examine the complete
response (CR) or unconfirmed complete response (uCR) rate, time
to tumor progression, and overall survival. The study was powered
based on a CR rate assumption of less than 5 percent for the
control arm and a greater than 10 percent improvement in CR rate
for the pixantrone arm. **The study was conducted under a
Special Protocol Assessment from the U.S. Food and Drug
Administration (FDA) and pixantrone has received fast track
designation for this indication.** [Emphasis added.]

27 24. Unbeknownst to investors, on March 28, 2008, Cell Therapeutics notified the
28 FDA of an early halt to enrollment for the pixantrone study. This halt invalidated the
29 Company’s SPA. Despite knowledge that the Company was no longer operating under the SPA
30

1 protocols agreed to with the FDA, the Company continued to represent that the pixantrone study
2 was operating under an SPA.

3 25. On November 11, 2008, the Company issued a press release announcing that it
4 “achieved the primary efficacy endpoint of its phase III EXTEND (PIX301) trial of pixantrone.”

5 Defendant Bianco, commenting on the results, stated, in pertinent part, as follows:

6 This positive phase III study is validation of Cell Therapeutics
7 Inc.’s capabilities in acquiring attractive drug candidates, and
8 designing and implementing a successful phase III trial. These
9 data are consistent with the extensive experience with pixantrone
10 in our phase I and phase II studies and demonstrate the ability to
11 offer patients with advanced, relapsed NHL the potential to obtain
12 a clinically meaningful response like a complete remission, despite
13 having failed multiple other courses of chemotherapy or immuno-
14 chemotherapy.

15 With regard to the pixantrone trial, the press release stated, in pertinent part, as follows:

16 The EXTEND clinical trial is a phase III single-agent trial of
17 pixantrone for patients with relapsed, aggressive non-Hodgkin’s
18 lymphoma who received two or more prior therapies and who were
19 sensitive to treatment with anthracyclines. The trial was conducted
20 at 130 sites in 17 countries. The trial enrolled 140 patients and
21 patients were randomized to receive either pixantrone or another
22 single-agent drug currently used for the treatment of this patient
23 population and selected by the physician. The trial was designed
24 to examine the complete remission (CR) or unconfirmed complete
25 remission (uCR) rate, overall survival (OS) and progression-free
26 survival (PFS). **The study received Special Protocol Assessment
approval from the U.S. Food and Drug Administration (FDA)
in 2004 and pixantrone has received fast track designation for
this indication.** [Emphasis added.]

27 26. On January 27, 2009, the Company issued a press release announcing that, after
28 communication with the FDA, it “expects to begin submission of a rolling New Drug
29 Application (NDA) and request priority review for pixantrone to treat relapsed aggressive non-
30 Hodgkin’s lymphoma (NHL) in the first quarter of 2009. If granted priority review a decision on
31 the NDA could occur before the end of 2009.” In that regard, Defendant Bianco stated, in
32 pertinent part, as follows:

33 This communication from the FDA is a significant milestone for
34 the Company and for patients with relapsed aggressive NHL as this

1 could be the first drug approved for this unmet medical need. With
2 the potential for three drug approvals in 2009 we are on track to
3 meet our objective of cash flow break even in the fourth quarter of
4 this year.

5 With regard to the pixantrone NDA, the press release stated, in pertinent part, as follows:

6 The EXTEND clinical trial was a phase III single-agent trial of
7 pixantrone for patients with relapsed, aggressive non-Hodgkin's
8 lymphoma who received two or more prior therapies and who were
9 sensitive to treatment with anthracyclines. The trial enrolled 140
10 patients and patients were randomized to receive either pixantrone
11 or another single-agent drug currently used for the treatment of this
12 patient population and selected by the physician.

13 CTI announced in November 2008 that it had achieved the primary
14 efficacy endpoint of its phase III EXTEND (PIX301) trial of
15 pixantrone (BBR2778). Patients randomized to treatment with
16 pixantrone achieved a high rate of confirmed and unconfirmed
17 complete remissions compared to patients treated with standard
18 chemotherapy (14/70 (20.0%) for pixantrone arm compared to
19 4/70 (5.7%) for the standard chemotherapy arm, $p = 0.02$). No
20 patient (0%) in the standard chemotherapy arm achieved a
21 confirmed complete remission compared to 8/70 (11%) of
22 pixantrone recipients. Pixantrone treatment also significantly
23 increased the overall response rate (CR/uCR+PR) with (26/70
24 (37.1%) for pixantrone arm compared to 10/70 (14.3%) for the
25 control arm, $p = 0.003$). CR/uCR and ORR were determined by an
26 independent assessment panel that was blinded to the treatment
assignments.

The study received Special Protocol Assessment approval from the
U.S. Food and Drug Administration (FDA) in 2004 and pixantrone
has received fast track designation for this indication. [Emphasis
added.]

27. On January 28, 2009, the Company issued a press release announcing its
"preliminary progression-free survival (PFS) results from its pivotal phase III EXTEND
(PIX301) trial of pixantrone." Defendant Bianco, commenting on the results, stated, in pertinent
part, as follows:

We always believed the effectiveness of pixantrone would translate
into a meaningful difference for patients with relapsed aggressive
NHL and these dramatic and significant differences in PFS in this
tough to treat group of patients provides that evidence. Pixantrone
is the first agent in this patient population to demonstrate a
significant and meaningful PFS advantage. We believe these data
will support a priority review designation on our New Drug

1 Application (NDA) once we share them with the Food and Drug
2 Administration (FDA).

3 With regard to the pixantrone study results, the press release stated, in pertinent part, as follows:

4 The Company had previously announced that its pivotal phase III
5 (PIX 301) EXTEND trial had achieved its primary endpoint with
6 patients randomized to treatment with pixantrone achieving a
7 significantly higher rate of confirmed (CR) and unconfirmed
8 complete remissions (CRu) compared to patients treated with
9 standard chemotherapy (14/70 (20.0%) for pixantrone arm
10 compared to 4/70 (5.7%) for the standard chemotherapy arm, $p =$
11 0.02) with no patients in the standard chemotherapy arm achieving
12 a confirmed complete remission. Additionally, pixantrone
13 treatment also significantly increased the overall response rate
14 (CR/CRu+PR) (26/70 (37.1%) for pixantrone arm compared to
15 10/70 (14.3%) for the control arm, $p = 0.003$). PFS, CR/CRu and
16 ORR were determined by an independent assessment panel that
17 was blinded to the treatment assignments.

18 The most common serious toxicities (>5%) seen in previous trials
19 of pixantrone include grade 3 and 4 neutropenia and febrile
20 neutropenia. Complete safety information is not yet available for
21 the study, however, the study was monitored on an ongoing basis
22 by an independent Data Safety Monitoring Committee and no
23 serious concerns were raised.

24 The EXTEND clinical trial is a phase III single-agent trial of
25 pixantrone for patients with relapsed, aggressive non-Hodgkin's
26 lymphoma who received two or more prior therapies and who were
sensitive to treatment with anthracyclines. The trial enrolled 140
patients and patients were randomized to receive either pixantrone
or another single-agent drug currently used for the treatment of this
patient population and selected by the physician. The trial was
designed to examine the complete remission or unconfirmed
complete remission rate, overall survival and progression-free
survival. **The study received Special Protocol Assessment
approval from the FDA in 2004 and pixantrone has received
fast track designation for this indication.**

27 The Company announced on January 27, 2009 that after a pre-
28 NDA communication with the FDA, it expects to begin submission
29 of a rolling NDA and request priority review for pixantrone to treat
30 relapsed aggressive NHL in the first quarter of 2009. [Emphasis
31 added.]

32 28. On February 18, 2009, the Company issued a press release announcing its
33 "updated safety and efficacy data from the phase III trial of pixantrone." Defendant Singer,
34 commenting on the updated data, stated, in pertinent part as follows:

1 We were impressed to see that 84% of patients received at least 5
2 cycles of pixantrone therapy with a median total dose of 1,475 mg,
3 despite having had significant prior therapy with doxorubicin, an
4 agent in a similar class with cumulative cardiotoxicity. The rapid
5 time-to-response data coupled with the relatively low incidence of
6 traditional anthracycline toxicities and a safety profile that
7 compares favorably to standard chemotherapy, positions
8 pixantrone to live up to the promise of providing patients with
9 relapsed aggressive NHL a meaningful clinical benefit.”

10 With regard to the updated pixantrone safety and efficacy data, the press release continued, in
11 pertinent part, as follows:

12 CTI announced in November 2008 that it had achieved the primary
13 efficacy endpoint of its phase III EXTEND (PIX301) trial of
14 pixantrone (BBR2778). Patients randomized to treatment with
15 pixantrone achieved a high rate of confirmed and unconfirmed
16 complete remissions compared to patients treated with standard
17 chemotherapy (14/70 (20.0%) for pixantrone arm compared to
18 4/70 (5.7%) for the standard chemotherapy arm, p = 0.02). No
19 patient (0%) in the standard chemotherapy arm achieved a
20 confirmed complete remission compared to 8/70 (11%) of
21 pixantrone recipients.

22 CTI expects to begin submission of a rolling New Drug
23 Application (NDA) and request priority review for pixantrone to
24 treat relapsed aggressive non- Hodgkin's lymphoma (NHL) in the
25 first quarter of 2009. If granted priority review a decision on the
26 NDA could occur before the end of 2009.

**The study received Special Protocol Assessment approval from
the U.S. Food and Drug Administration (FDA) in 2004, and
pixantrone has received fast track designation for this
indication. [Emphasis added.]**

29 29. On April 14, 2009, the Company issued a press release announcing that it “began
30 a rolling submission of a New Drug Application (“NDA”) to the FDA for pixantrone to treat
31 relapsed or refractory aggressive NHL.” The press release continued, in pertinent part, as
32 follows:

33 CTI expects to complete the submission this quarter and will
34 request priority review which if granted could lead to an approval
35 decision from the FDA in Q4 2009.

36 “This is a significant milestone for CTI as we move pixantrone
closer to addressing a truly significant unmet medical need for
relapsed or refractory aggressive NHL patients,” said James A.

1 Bianco, M.D., CEO of CTI. "The commercialization of pixantrone
2 will drive shareholder value as a result of the large market
3 potential for this product. We believe that the recent significant
4 investment in CTI by a single institutional investor reflects a
5 growing interest in CTI and in particular in pixantrone by the
6 investment community. With added financial resources, CTI can
7 advance pixantrone through the NDA review process while we
8 continue our progress on strategic business development
9 opportunities and relationships."

10 CTI previously announced that its pivotal phase III (PIX 301)
11 EXTEND trial had achieved its primary endpoint with patients
12 randomized to treatment with pixantrone achieving a significantly
13 higher rate of confirmed (CR) and unconfirmed complete
14 remissions (CRu) compared to patients treated with standard
15 chemotherapy (14/70 (20.0%) for pixantrone arm compared to
16 4/70 (5.7%) for the standard chemotherapy arm, $p = 0.02$) with no
17 patients in the standard chemotherapy arm achieving a confirmed
18 complete remission. Additionally, progression-free survival (PFS)
19 results from this study show patients treated with pixantrone
20 experienced a statistically significant improvement in median
21 progression-free survival, compared with other single-agent
22 chemotherapeutic agents (4.7 months vs. 2.6 months, $p < 0.01$,
23 pixantrone vs. standard chemotherapy) based on an intent to treat
24 analysis. Pixantrone treatment also significantly increased the
25 overall response rate (CR/CRu+PR) (26/70 (37.1%) for pixantrone
26 arm compared to 10/70 (14.3%) for the control arm, $p = 0.003$).

Pixantrone recipients had a low incidence of severe neutropenia
complicated by either fever or documented infections, or severe
vomiting or diarrhea. Pixantrone patients also experienced a low
incidence of hair loss, a very common side effect of other drugs in
this class. Overall, the incidence of serious adverse events was
similar between pixantrone and the control arm. The pixantrone
patients had a higher incidence of leucopenia and neutropenia and
numerically more severe cardiac events (5 vs. 2) with only 1
considered related to the study drug by the investigator. Disease
progression reported as an adverse event was less frequent in the
pixantrone than in the control arm (1.5% vs. 13.4%).

The pixantrone study received Special Protocol Assessment approval from the FDA in 2004, and pixantrone has received fast track designation for this indication. The FDA's fast track programs are intended to expedite the review of drugs that treat serious or life-threatening conditions and demonstrate the potential to address unmet medical needs. The rolling submission process enables companies that have been granted fast track designation to submit sections of the NDA to the FDA as they become available, allowing the review process to begin before the complete dossier has been submitted. [Emphasis added.]

1 30. The statements in ¶¶25-29 remained alive and uncorrected throughout the Class
2 Period. These statements were materially false and misleading because they failed to disclose
3 that the SPA was no longer valid and binding.

4 **B. Materially False and Misleading Statements Issued During the Class Period**

5 31. The Class Period begins on May 5, 2009. On that date, the Company issued a
6 press release announcing that “pixantrone is now available on a named-patient basis in Europe.”
7 The press release continued, as follows:

8 “CTI has worked hard to make pixantrone available in Europe at
9 the prescriber’s request as it provides an option for these difficult
10 to treat aggressive NHL patients,” noted Craig Philips, President of
11 CTI. “We continue to work toward potential approval of
12 pixantrone at the end of 2009 in the United States and expect to
13 complete the submission of the New Drug Application to the Food
14 & Drug Administration this quarter.”

15 “Our experience with pixantrone has been positive with patients
16 achieving a complete response where such a result was not
17 achievable with other treatments,” said Prof. Pier Luigi Zinzani,
18 M.D., Institute of Hematology and Oncology, University of
19 Bologna. “I am pleased that it is now available on a named-patient
20 basis as it has the potential to address a significant unmet need in
21 this heavily pretreated patient population.”

22 A named-patient program is a compassionate use drug supply
23 program under which physicians can legally supply investigational
24 drugs to qualifying patients. Under a named-patient program,
25 investigational drugs can be administered to patients who are
26 suffering from serious illnesses prior to the drug being approved by
the European Medicines Evaluation Agency. “Named-patient”
distribution refers to the distribution or sale of a product to a
specific healthcare professional for the treatment of an individual
patient. In Europe, under the named-patient program the drug is
most often purchased through the national health system

27 32. In response to the Company’s announcement, the price of Cell Therapeutics stock
28 rose \$0.80 per share, or 63%, over the next two trading days, to close at \$1.27 per share.

29 33. On May 7, 2009, Cell Therapeutics issued a press release announcing its financial
30 results for the first quarter of 2009, the period ended March 31, 2009. Defendant Bianco,
31 commenting on the results, stated, in pertinent part, as follows:

1 Our focus for the first half of 2009 was to initiate and complete the
2 NDA submission for pixantrone while we implemented final steps
3 in our cost cutting efforts and raised much needed operating capital
4 on the least dilutive terms possible -- all while cleaning up the
5 Company's capital structure. We are pleased with our results as
6 reflected in our first quarter financials. We have cut our net
operating losses attributable to common shareholders by 76%,
raised gross proceeds of \$44.3 million in 2009 and eliminated all
of our outstanding preferred stock, while staying on track to
complete the NDA submission for pixantrone in June 2009.

7 With regard to pixantrone, the press release stated, in pertinent part, as follows:

8 Recent Highlights

9 -- Initiated a rolling submission of a New Drug Application
10 (NDA) to the U.S. Food and Drug Administration (FDA) for
11 pixantrone and are targeting completing this NDA submission in
12 June 2009, which if granted priority review could lead to an FDA
13 approval decision as early as December 2009.

14 -- Pixantrone Phase III study results to be presented at the
15 American Society of Clinical Oncology Conference on June 1,
16 2009.

17 -- Pixantrone is now available through a named-patient program in
18 Europe.

19 34. On July 22, 2009, the Company issued a press release announcing that it
20 "commenced an underwritten public offering of up to 29,332,107 shares of its common stock and
21 warrants to purchase up to 7,333,027 shares of its common stock."

22 35. On July 28, 2009, the Company issued a press release announcing the "closing of
23 its previously announced public offering. . . . The Company received approximately \$40.3
24 million in net proceeds from the offering." In connection with the offering, the Company
25 disseminated a registration statement, which incorporated a prospectus (the "Registration
26 Statement"). The Registration Statement did not disclose that the SPA was not longer valid and
binding.

34. On August 24, 2009, the Company issued a press release announcing that the
FDA "has accepted and has filed for review the Company's New Drug Application (NDA) for
pixantrone as treatment for relapsed or refractory aggressive non-Hodgkin's lymphoma (NHL).

1 A Prescription Drug User Fee Act (PDUFA) date will be established by the FDA regarding the
2 review of the pixantrone NDA by September 4th 2009.” With regard to the FDA’s acceptance of
3 the pixantrone NDA, Defendant Bianco stated, in pertinent part, as follows:

4 The FDA’s acceptance to file our pixantrone NDA represents a
5 significant milestone for CTI and for patients with relapsed and
6 refractory aggressive NHL. We look forward to working with the
7 FDA and their final decision on our request for priority review.

8 37. On September 16, 2009, the Company issued a press release announcing its
9 “updated 18-month follow-up clinical data for its phase III EXTEND (PIX 301) trial of
10 pixantrone.” Defendant Bianco, commenting on the data, stated, in pertinent part, as follows:

11 We continue to be impressed by the durability of responses in the
12 pixantrone treatment arm which seemed to improve during the
13 study follow up period, compared to the standard chemotherapy
14 recipients - whose responses and duration of response are largely
15 unchanged from the initial assessment period. We are also
16 encouraged by the increase in the overall survival estimates,
17 especially among those patients whose histologic diagnosis was
18 verified by independent pathologists where 40% of pixantrone
19 recipients were alive, compared to 27% for standard chemotherapy
20 at the 1 year landmark period. We plan to submit these updated
21 safety and efficacy data to our NDA as part of the 120 Day update.

22 With regard to the pixantrone clinical data, the press release stated, in pertinent part, as follows:

23 The FDA typically receives updated clinical study data 120 days
24 following the initial NDA submission.

25 The most common (incidence greater than or equal to 20%)
26 adverse reactions reported for pixantrone-treated subjects were
neutropenia, infection, anemia, leucopenia, thrombocytopenia,
asthenia, pyrexia, and cough.

Pixantrone has been accepted for standard review by the Food &
Drug Administration (FDA), with fast track status with a
Prescription Drug User Fee Act (PDUFA) date of April 23, 2010.

About the EXTEND (PIX301) Clinical Trial

The EXTEND clinical trial is a phase III single agent trial of
pixantrone for patients with relapsed or refractory, aggressive
nonHodgkin’s lymphoma who received two or more prior
therapies and who were sensitive to treatment with anthracyclines.
The trial was conducted at 130 sites in 17 countries. Patients were
randomized to receive either pixantrone or another single-agent

1 drug currently used for the treatment of this patient population and
2 selected by the physician. The trial was designed to examine the
3 complete remission (CR) or unconfirmed complete remission
4 (uCR) rate, time to tumor progression, and overall survival. **The
5 study was conducted under a Special Protocol Assessment
6 from the U.S. Food and Drug Administration (FDA) and
7 pixantrone has received fast track designation for this
8 indication.** [Emphasis added.]

9
10 38. On December 5, 2009, in a presentation before analysts and investors, Defendant
11 Bianco, commenting on the background of pixantrone, stated, in pertinent part, as follows:

12 We, as I mentioned, acquired Novuspharma in a stock-for-stock
13 transaction, valued at about \$136 million at the time, and took over
14 the development of pixantrone, in terms of the clinical
15 development at least, and that led to our first end-of-Phase II
16 meeting with the FDA in 2004. **And at that time we devised
17 what was called the PIX301 study that was done under a
18 special protocol assessment procedure with the FDA.**

19 The primary endpoint of complete remission, CRU, was actually
20 negotiated and almost, won't say required, but certainly strongly
21 recommended by the FDA as being the endpoint, as were some of
22 the other secondary endpoints you're going to hear about with
23 respect to duration of response, et cetera. In addition, they wanted
24 us to do a randomized study so this, as you'll hear, is the first
25 randomized controlled trial in this population of patients.

26 Study was quite challenging from an enrollment perspective. We
initially targeted 320 patients. **We had discussions with the FDA,
essentially cutting the enrollment back to a number where we
felt would be adequate to still maintain the initial power
assumptions in the trial. That was done in about 140 patients.
That discussion happened in January of '07 and in '08 in
March we reached 140 patients and we terminated the
enrollment in the trial.**

And then subsequently did the primary endpoint analysis in
November of last year and then did the database lock for all the
subsequent secondary analysis in February of this year. We filed a
rolling submission starting in March under the fast track guidelines
from the FDA and that rolling submission was completed in June
of this year. And then we received notice from the FDA that they
agreed to file the application, gave it a PDUFA date of April 23rd,
so a standard 10-month review cycle.

And that's where we are with the current regulatory dialog with the
agency, which has been moving along, as we've mentioned on our
conference calls, at a much accelerated pace given the fact that

1 there's still another four, four and a half months in the review
2 cycle before they need to come to a decision. [Emphasis added.]

3 39. The statements referenced above in ¶¶31, 33, 35 and 36-38 were each materially
4 false and misleading when made because they misrepresented and failed to disclose the
5 following adverse facts, which were known to Defendants or recklessly disregarded by them:

- 6 (a) that the SPA was invalidated in March 2008;
7 (b) that the Company's pixantrone study enrolled a large number of patients
8 who did not suffer from aggressive Non-Hodgkin's lymphoma;
9 (c) that the Company's pixantrone drug was cardiotoxic; and
10 (d) as a result of the foregoing, Defendants lacked a reasonable basis for their
11 positive statements about pixantrone and its prospects.

12 40. Then, on February 8, 2010, the FDA posted its assessment of pixantrone in
13 advance of its February 10, 2010 advisory meeting. With regard to the regulatory history of
14 pixantrone, the FDA Briefing Document stated, in pertinent part, as follows:

15 The pivotal trial, PIX301, was discussed at an End of Phase 2
16 meeting on October 8, 2003. At this meeting, FDA stated,
17 "Accelerated approval could be based on an interim analysis of a
18 surrogate endpoint with completion of the trial demonstrating an
19 improvement on a clinical benefit endpoint (survival or symptom
20 benefit)." FDA recommended that the trial assess complete
21 response and the duration of complete response. Subsequently,
22 agreement was reached concerning a Special Protocol Assessment
23 for PIX301. **On March 28, 2008, CTI notified the FDA of an
24 early halt to enrollment for PIX301. The study was not
25 stopped at a planned interim analysis and early study stopping
26 invalidated the applicant's Special Protocol Assessment.** The
applicant subsequently analyzed their data and began submission
of a rolling NDA on April 13, 2009 with the last module submitted
on June 22, 2009. [Emphasis added.]

41. On February 8, 2010, in an article entitled "FDA Tough on Cell Therapeutics'
Drug," *TheStreet.com* stated, in pertinent part, as follows:

Last week, I laid out in detail seven reasons why the U.S. Food and
Drug Administration could decide to reject Cell
Therapeutics'(CTIC:Nasdaq) lymphoma drug pixantrone.

1 On Monday, the FDA posted a substantially negative assessment
2 of pixantrone in advance of Wednesday's FDA advisory panel
3 meeting. The FDA review hits on almost all seven of the
4 pixantrone concerns and problems I raised.

5 The entire FDA review of pixantrone is posted to the agency's web
6 site.

7 Add it all up, and Cell Therapeutics faces a very difficult task
8 convincing the FDA's panel of cancer experts to recommend
9 pixantrone's approval as a treatment for patients with advanced,
10 aggressive non-Hodgkin's lymphoma.

11 Let's break down the issues I raised about pixantrone last week
12 and see how that compares to what the FDA's reviewers said about
13 the drug Monday:

14 1. Missing patients?

15 Last week, I questioned whether the FDA would accept the
16 "positive" results from the phase III "EXTEND" study of
17 pixantrone given that Cell Therapeutics only enrolled 140 of a
18 planned 320 patients.

19 Recall that Cell Therapeutics has long claimed the FDA was OK
20 with the smaller-than-expected enrollment in the study and that the
21 study's statistical plan was adjusted accordingly. That turns out
22 not to be true.

23 Monday, the FDA wrote:

24 "The planned sample size was 320. However, the study stopped
25 early at an unplanned time point, due to poor accrual. A higher
26 level of evidence is usually required in trials which discontinue
prior to the final analysis. Based on the Rho family error spending
function (Rho parameter = 2) used in the sponsor's statistical
analysis plan and with 44% of planned enrollment, the significance
level allocated for the submitted analysis would be 0.0096 (0.0014
based on the O'Brien-Fleming-type error spending function).
Therefore, the submitted primary analysis would not be
significant."

27 Translation: The pixantrone study failed, even using Cell
28 Therapeutics' own statistical plan due to the low patient
29 enrollment. In order for the pixantrone study to have been positive
30 and statistically significant, the "p value" generated by the final
31 analysis needed to be lower than 0.0096. The actual "p value" was
32 0.021.

33 2. Does Cell Therapeutics really have a Special Protocol
34 Assessment?

1 A Special Protocol Assessment (SPA) is essentially a formal
2 agreement reached between a drug company and the FDA that the
3 design and endpoints of a phase III clinical trial are sufficient for a
4 drug's approval.

5 Cell Therapeutics executives, including CEO Jim Bianco, have
6 stated repeatedly, in public, that the EXTEND study of pixantrone
7 was conducted under an SPA from the FDA. Many of the
8 company's recent press releases, including one from April 14,
9 2009, also make the claim.

10 False!

11 Here's what the FDA said Monday:

12 "On March 28, 2008, Cell Therapeutics notified the FDA of an
13 early halt to enrollment for PIX301 [the EXTEND study.]. The
14 study was not stopped at a planned interim analysis and early study
15 stopping invalidated the applicant's Special Protocol Assessment.
16 The applicant subsequently analyzed their data and began
17 submission of a rolling NDA on April 13, 2009 with the last
18 module submitted on June 22, 2009." [Emphasis added.]

19 Let's repeat that. The FDA states, "The study was not stopped at a
20 planned interim analysis and early study stopping invalidated the
21 applicant's Special Protocol Assessment."

22 How is Cell Therapeutics going to explain why it lied about having
23 an SPA for the pixantrone study? An SPA was in place at one
24 point in time, but Cell Therapeutics neglected to tell investors that
25 the agreement was yanked.

26 Perhaps we now know why the company never mentioned having
an SPA for the pixantrone study in its filings with the Securities
and Exchange Commission, as I outlined last week.

3. How reliable are the response rates in the EXTEND study?

Recall that Cell Therapeutics says the "EXTEND" met its primary
endpoint, with 25.7% of pixantrone patients achieving a complete
response (CR) or an unconfirmed complete response (CRu)
compared to 7.1% of patients in the control arm achieving a
CR/CRu.

Last week, I said to watch how the FDA adjudicates the patients
deemed to be unconfirmed complete responders (CRu) because in
recent years, at least one influential academic group of lymphoma
researchers no longer uses CRu as a valid measurement of disease
response. Patients are now characterized as complete responders
(CR) or partial responders (PR.)

1 The FDA's conclusions were even worse than I had anticipated:

2 "A non-aggressive histology was found, by central review, in
3 12/64 (18.8%) patients on the pixantrone and 16/66 (24.2%)
4 patients on the comparator arm. This level of disagreement is
5 consistent with the literature (Pathol Res Pract 1989 184:242,
6 Cancer 1977 39:1071). Among patients with a non-aggressive
7 histology by central review, 5 patients on the pixantrone and 1
8 patient on the comparator arm achieved a CR/Cru."

9 Translation: Cell Therapeutics enrolled a large number of patients
10 who didn't suffer from aggressive NHL, per the eligibility rules of
11 the phase III study. Therefore, five pixantrone patients deemed to
12 have a complete response by Cell Therapeutics were thrown out in
13 the FDA's analysis. Likewise, one patient in the comparator arm
14 was similar excluded.

15 4. Were the patients in the comparator arm of the study treated
16 with the best drugs available?

17 This was the only issue in my column last week not raised by FDA
18 in Monday's pixantrone review.

19 5. How sick really were the NHL patients in the EXTEND study?

20 The FDA tackles this issue above when it found that not all the
21 patients enrolled had aggressive NHL. Moreover, FDA found that
22 the vast majority of patients enrolled outside the U.S. were less
23 heavily pre-treated than the small handful of U.S. patients enrolled
24 in the study.

25 6. Where in the world did pixantrone actually work?

26 Last week, I said to be wary of responses to pixantrone by
geography, especially if no U.S. patients respond to the drug. That
turned out to be completely true:

The FDA, in its review, notes that, "Most patients were accrued
outside of the U.S., with 8 patients accrued from 6 sites in the
US." Wow! Only eight patients out of 140 total were enrolled in the
U.S.

The FDA also states, "Of concern, no patients enrolled in the US
attained a CR or CRu."

7. Is pixantrone less cardio-toxic?

Pixantrone belongs to the anthracycline class of chemotherapy
drugs, which are well known to cause heart failure at high doses
and/or prolonged exposure. Pixantrone is designed to be less toxic
to the heart, allowing it to be used in patients who have been

1 treated previously with other anthracyclines, according to Cell
2 Therapeutics.

3 But Monday, the FDA raised serious questions about pixantrone's
4 safety, noting that, "deaths, SAEs (serious adverse events), and
5 grade 3-4 events were all more common on the pixantrone arm.

6 Moreover, three pixantrone patients died [sic] due to heart failure
7 compared to a single patient in the study's comparator arm,
8 according to the FDA's analysis.

9 The FDA goes on to state, "All of this suggests that pixantrone is
10 indeed cardiotoxic, but no conclusions can be drawn concerning its
11 toxicity relative to other anthracyclines/anthracenediones.

12 When the FDA's advisory panel convenes Wednesday to review
13 pixantrone, the cancer experts are being asked to vote on two big
14 questions:

15 * The randomized study was stopped at less than 50% of its
16 planned accrual because of poor accrual. Do the efficacy data
17 support accelerated approval of pixantrone for the proposed
18 indication?

19 * Is the risk:benefit ratio favorable for the proposed indication?

20 The advisory panel is going to vote "no" on both questions unless
21 Cell Therapeutics pulls off a miracle.

22 42. In response to these statements, which revealed various adverse factors negatively
23 impacting Cell Therapeutics's business, the price of Cell Therapeutics stock fell \$0.42 per share,
24 or 39%, to close at \$0.64 per share.

25 43. The market for Cell Therapeutics common stock was open, well-developed and
26 efficient at all relevant times. As a result of these materially false and misleading statements and
failures to disclose, Cell Therapeutics common stock traded at artificially inflated prices during
the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Cell
Therapeutics common stock relying upon the integrity of the market price of Cell Therapeutics
common stock and market information relating to Cell Therapeutics, and have been damaged
thereby.

1 44. During the Class Period, Defendants materially misled the investing public,
2 thereby inflating the price of Cell Therapeutics common stock, by publicly issuing false and
3 misleading statements and omitting to disclose material facts necessary to make Defendants'
4 statements, as set forth herein, not false and misleading. Said statements and omissions were
5 materially false and misleading in that they failed to disclose material adverse information and
6 misrepresented the truth about the Company, its business and operations, as alleged herein.

7 45. At all relevant times, the material misrepresentations and omissions particularized
8 in this Complaint directly or proximately caused, or were a substantial contributing cause of, the
9 damages sustained by Plaintiff and other members of the Class. As described herein, during the
10 Class Period, Defendants made or caused to be made a series of materially false or misleading
11 statements about Cell Therapeutics's business, prospects and operations. These material
12 misstatements and omissions had the cause and effect of creating in the market an unrealistically
13 positive assessment of Cell Therapeutics and its business, prospects and operations, thus causing
14 the Company's common stock to be overvalued and artificially inflated at all relevant times.
15 Defendants' materially false and misleading statements during the Class Period resulted in
16 Plaintiff and other members of the Class purchasing the Company's common stock at artificially
17 inflated prices, thus causing the damages complained of herein.

18 **C. Additional Scienter Allegations**

19 46. As alleged herein, Defendants acted with scienter in that Defendants knew that
20 the public documents and statements issued or disseminated in the name of the Company were
21 materially false and misleading; knew that such statements or documents would be issued or
22 disseminated to the investing public; and knowingly and substantially participated or acquiesced
23 in the issuance or dissemination of such statements or documents as primary violations of the
24 federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their
25 receipt of information reflecting the true facts regarding Cell Therapeutics, their control over,
26 and/or receipt and/or modification of Cell Therapeutics's allegedly materially misleading

1 misstatements and/or their associations with the Company, which made them privy to
 2 confidential proprietary information concerning Cell Therapeutics, participated in the fraudulent
 3 scheme alleged herein.

4 47. Defendants were further motivated to engage in this course of conduct in order to
 5 allow: (i) the Company to complete an offering of 33,731,923 shares of its common stock and
 6 warrants to purchase up to 8,432,981 shares of its common stock, whereby the Company
 7 received approximately \$40.3 million in net proceeds; and (ii) the Individual Defendants and
 8 certain Company insiders to collectively sell 2,546,465 shares of their personally-held Cell
 9 Therapeutics common stock for gross proceeds in excess of \$3.5 million. The following chart
 10 sets forth the insider trading:

Insider	Date	Shares	Price	Proceeds
JOHN BAUER	06/02/09	25,000	\$1.76	\$44,000
	08/10/09	80,000	\$1.50	\$120,000
		105,000		\$164,000
JAMES BIANCO	09/11/09	1,366,108	\$1.43	\$1,953,534
	09/25/09	318,621	\$1.19	\$379,159
	09/25/09	100,380	\$1.23	\$123,467
	09/25/09	5,100	\$1.24	\$6,324
	09/25/09	100	\$1.23	\$123
		1,790,309		\$2,462,608
DANIEL ERAMIAN	09/25/09	104,276	\$1.25	\$130,345
RICHARD LOVE	08/12/09	70,000	\$1.64	\$114,800
PHILLIP NUDELMAN	08/14/09	164,000	\$1.57	\$257,480
CRAIG PHILIPS	09/25/09	211,500	\$1.24	\$262,260
JACK SINGER	09/25/09	96,380	\$1.23	\$118,547
	09/25/09	5,000	\$1.24	\$6,200
		101,380		\$124,747
	Total:	2,546,465		\$3,516,240

1 **D. Loss Causation/Economic Loss**

2 48. During the Class Period, as detailed herein, Defendants engaged in a scheme to
3 deceive the market and a course of conduct that artificially inflated the prices of Cell
4 Therapeutics common stock and operated as a fraud or deceit on Class Period purchasers of Cell
5 Therapeutics common stock by failing to disclose and misrepresenting the adverse facts detailed
6 herein. When Defendants' prior misrepresentations and fraudulent conduct were disclosed and
7 became apparent to the market, the price of Cell Therapeutics common stock fell precipitously as
8 the prior artificial inflation came out. As a result of their purchases of Cell Therapeutics
9 common stock during the Class Period, Plaintiff and the other Class members suffered economic
10 loss, *i.e.*, damages, under the federal securities laws.

11 49. By failing to disclose to investors the adverse facts detailed herein, Defendants
12 presented a misleading picture of Cell Therapeutics's business and prospects. Defendants' false
13 and misleading statements had the intended effect and caused Cell Therapeutics common stock
14 to trade at artificially inflated levels throughout the Class Period, reaching as high as \$2.10 per
15 share on June 1, 2009.

16 50. As a direct result of the disclosure on February 8, 2010, the price of Cell
17 Therapeutics common stock fell precipitously, falling by \$0.42 per share, or 39%. This drop
18 removed the inflation from the price of Cell Therapeutics common stock, causing real economic
19 loss to investors who had purchased Cell Therapeutics common stock during the Class Period.

20 51. The 39% decline was a direct result of the nature and extent of Defendants' fraud
21 finally being revealed to investors and the market. The timing and magnitude of the price
22 decline in Cell Therapeutics common stock negates any inference that the loss suffered by
23 Plaintiff and the other Class members was caused by changed market conditions,
24 macroeconomic or industry factors or Company-specific facts unrelated to Defendants'
25 fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiff and the other Class
26 members was a direct result of Defendants' fraudulent scheme to artificially inflate the prices of

1 Cell Therapeutics common stock and the subsequent significant decline in the value of Cell
2 Therapeutics common stock when Defendants' prior misrepresentations and other fraudulent
3 conduct were revealed.

4 **E. Applicability of Presumption of Reliance: Fraud on the Market Doctrine**

5 52. At all relevant times, the market for Cell Therapeutics common stock was an
6 efficient market for the following reasons, among others:

7 (a) Cell Therapeutics common stock met the requirements for listing, and was
8 listed and actively traded on the NASDAQ, a highly efficient and automated market;

9 (b) as a regulated issuer, Cell Therapeutics filed periodic public reports with
10 the SEC and the NASDAQ;

11 (c) Cell Therapeutics regularly communicated with public investors via
12 established market communication mechanisms, including regular disseminations of press
13 releases on the national circuits of major newswire services and other wide-ranging public
14 disclosures, such as communications with the financial press and other similar reporting services;
15 and

16 (d) Cell Therapeutics was followed by several securities analysts employed by
17 major brokerage firms who wrote reports which were distributed to the sales force and certain
18 customers of their respective brokerage firms. Each of these reports was publicly available and
19 entered the public marketplace.

20 53. As a result of the foregoing, the market for Cell Therapeutics common stock
21 promptly digested current information regarding Cell Therapeutics from all publicly available
22 sources and reflected such information in the prices of the stock. Under these circumstances, all
23 purchasers of Cell Therapeutics common stock during the Class Period suffered similar injury
24 through their purchase of Cell Therapeutics common stock at artificially inflated prices and a
25 presumption of reliance applies.
26

1 **F. No Safe Harbor**

2 54. The statutory safe harbor provided for forward-looking statements under certain
3 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.
4 Many of the specific statements pleaded herein were not identified as “forward-looking
5 statements” when made. To the extent there were any forward-looking statements, there were no
6 meaningful cautionary statements identifying important factors that could cause actual results to
7 differ materially from those in the purportedly forward-looking statements. Alternatively, to the
8 extent that the statutory safe harbor does apply to any forward-looking statements pleaded
9 herein, Defendants are liable for those false forward-looking statements because at the time each
10 of those forward-looking statements were made, the particular speaker knew that the particular
11 forward-looking statement was false, and/or the forward-looking statement was authorized
12 and/or approved by an executive officer of Cell Therapeutics who knew that those statements
13 were false when made.

14 **COUNT I**

15 **Violation of Section 10(B) of**
16 **the Exchange Act and Rule 10b-5**
Promulgated Thereunder Against All Defendants

17 55. Plaintiff repeats and realleges each and every allegation contained above as if
18 fully set forth herein.

19 56. During the Class Period, Defendants disseminated or approved the materially
20 false and misleading statements specified above, which they knew or deliberately disregarded
21 were misleading in that they contained misrepresentations and failed to disclose material facts
22 necessary in order to make the statements made, in light of the circumstances under which they
23 were made, not misleading.

24 57. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made
25 untrue statements of material fact and/or omitted to state material facts necessary to make the
26 statements not misleading; and (c) engaged in acts, practices, and a course of business which

1 operated as a fraud and deceit upon the purchasers of the Company's common stock during the
2 Class Period.

3 58. Plaintiff and the Class have suffered damages in that, in reliance on the integrity
4 of the market, they paid artificially inflated prices for Cell Therapeutics common stock. Plaintiff
5 and the Class would not have purchased Cell Therapeutics common stock at the prices they paid,
6 or at all, if they had been aware that the market prices had been artificially and falsely inflated by
7 Defendants' misleading statements.

8 59. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and
9 the other members of the Class suffered damages in connection with their purchases of Cell
10 Therapeutics common stock during the Class Period.

11 **COUNT II**

12 **Violation of Section 20(A) of** 13 **the Exchange Act Against the Individual Defendants**

14 60. Plaintiff repeats and realleges each and every allegation contained above as if
15 fully set forth herein.

16 61. The Individual Defendants acted as controlling persons of Cell Therapeutics
17 within the meaning of Section 20(a) of the Exchange Act as alleged herein. By reason of their
18 positions as officers and/or directors of Cell Therapeutics, and their ownership of Cell
19 Therapeutics stock, the Individual Defendants had the power and authority to cause Cell
20 Therapeutics to engage in the wrongful conduct complained of herein. By reason of such
21 conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

22 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

23 A. Determining that this action is a proper class action, designating Plaintiff as Lead
24 Plaintiff and certifying Plaintiff as a Class representative under Rule 23 of the Federal Rules of
25 Civil Procedure and Plaintiff's counsel as Lead Counsel;

