

CELL THERAPEUTICS INC  
Form DEF 14A  
May 13, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

**(Amendment No.    )**

Filed by the Registrant:

Filed by a Party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

**Cell Therapeutics, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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May 13, 2013

Dear Shareholder:

You are cordially invited to attend the Cell Therapeutics, Inc. Annual Meeting of Shareholders (the Annual Meeting), which will be held at 10:00 a.m. Pacific Daylight Time (PDT), on Wednesday, June 26, 2013, at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A.

Information concerning the business to be conducted at the Annual Meeting is included in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting.** The Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Annual Report) are available electronically at our website at <http://www.celltherapeutics.com>. We are pleased to begin utilizing the Securities and Exchange Commission (the SEC) rules that allow issuers to furnish proxy materials to their shareholders on the Internet.

As a result, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials (Notice) instead of a paper copy of this Proxy Statement and the 2012 Annual Report. The Notice contains instructions on how to access those documents and vote online. The Notice also contains instructions on how each of those shareholders can receive a paper copy of the proxy materials, including this Proxy Statement, the 2012 Annual Report and a form of proxy card or voting instruction card. All shareholders who do not receive a Notice, such as shareholders who have previously requested to receive paper copies of proxy materials, will receive a paper copy of the proxy materials by mail. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting.

If you are an Italian shareholder who does not hold shares in record name (*i.e.*, you hold shares through an Italian bank), you may obtain a copy of the Proxy Statement and a proxy card from any of the following places:

the office of the Italian branch of our subsidiary CTI Life Sciences Limited (Attention: Investor Relations, CTI Life Sciences Limited at +39 02 89659700), at Via Amedei 8, 20123 Milan, Italy;

the office of any of the depository banks (or Monte Titoli intermediaries) having our shares in their accounts;

the SEC's website at <http://www.sec.gov>; or

our website at <http://www.celltherapeutics.com>.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented.

If you received a paper copy of the proxy materials by mail, you may vote your shares by proxy by doing any one of the following: vote at the Internet site address listed on your proxy or voting instruction card; call the toll-free number listed on your proxy or voting instruction card; or sign, date and return in the pre-addressed envelope provided the enclosed proxy or voting instruction card. If you received only a Notice of Internet Availability of Proxy Materials by mail, you may vote your shares at the Internet site address listed on your Notice. You may also request a paper copy of the proxy materials by visiting the Internet site address listed on your Notice, calling the toll-free number listed on your Notice or sending an e-mail to the e-mail address listed on your Notice.

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We urge our Italian shareholders to request and return an Italian proxy card, together with a completed certification of participation in the Italian Central Depository System. If your shares are held in a U.S. bank or brokerage account or if you are registered directly with us as the record holder of your shares, you may be eligible to vote your proxy electronically or by telephone. Please refer to the enclosed voting form for instructions.

I look forward to greeting you personally and, on behalf of the Board of Directors and management, I would like to express our appreciation for your support of Cell Therapeutics, Inc. and its mission of making cancer more treatable.

Sincerely,

James A. Bianco, M.D.

President and Chief Executive Officer

Shareholder

**Cell Therapeutics, Inc., 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A.**

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**CELL THERAPEUTICS, INC.**

**Notice of Annual Meeting of Shareholders**

**Wednesday, June 26, 2013**

To the Shareholders of Cell Therapeutics, Inc.:

The Annual Meeting of Shareholders (the Annual Meeting) of Cell Therapeutics, Inc. (the Company) will be held at 10:00 a.m. Pacific Daylight Time (PDT), on Wednesday, June 26, 2013 at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A., for the following purposes:

- (1) to elect three Class I directors to the Board of Directors ( Proposal 1 );
- (2) to approve an amendment to our amended and restated articles of incorporation to increase the total number of authorized shares from 150,333,333 to 215,333,333 and the total number of authorized shares of common stock from 150,000,000 to 215,000,000 ( Proposal 2 );
- (3) to approve an amendment to our 2007 Equity Incentive Plan, as amended and restated (the 2007 Equity Plan ), to increase the number of shares available for issuance under the 2007 Equity Plan by 12,000,000 shares ( Proposal 3 );
- (4) to ratify the selection of Marcum LLP as our independent auditors for the year ending December 31, 2013 ( Proposal 4 );
- (5) to approve the adjournment of the Annual Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Annual Meeting to adopt any of Proposals 1 through 4 ( Proposal 5 ); and
- (6) to transact such other business as may properly come before the Annual Meeting and all adjournments and postponements thereof. The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

The Board of Directors has approved the proposals described in the Proxy Statement and recommends that you vote FOR the nominees for directors listed in Proposal 1 and FOR Proposals 2, 3, 4 and 5.

All shareholders are cordially invited to attend the Annual Meeting. Only shareholders of record at the close of business on May 6, 2013, the record date fixed by the Board of Directors, are entitled to vote at the Annual Meeting and all adjournments and postponements thereof. A complete list of shareholders entitled to notice of, and to vote at, the Annual Meeting will be open to examination by the shareholders beginning ten (10) days prior to the Annual Meeting for any purpose germane to the Annual Meeting during normal business hours at the office of our secretary at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A.

If you are an Italian shareholder who does not hold shares in record name (*i.e.*, you hold shares through an Italian bank), you may obtain a copy of the Proxy Statement and a proxy card from any of the following places:

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the office of the Italian branch of our subsidiary CTI Life Sciences Limited (Attention: Investor Relations, CTI Life Sciences Limited at +39 02 89659700), at Via Amedei 8, 20123 Milan, Italy;

the office of any of the depository banks (or Monte Titoli intermediaries) having our shares in their accounts;

the Securities and Exchange Commission website at <http://www.sec.gov>; or

our website at <http://www.celltherapeutics.com>.

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The Proxy Statement will be available for our Italian shareholders at least twenty (20) days before the Annual Meeting date of June 26, 2013.

**Whether or not you intend to be present at the Annual Meeting, your vote is important. If you received a paper copy of the proxy materials by mail, you may vote your shares by proxy by doing any one of the following: vote at the Internet site address listed on your proxy or voting instruction card; call the toll-free number listed on your proxy or voting instruction card; or sign, date and return in the pre-addressed envelope provided the enclosed proxy or voting instruction card. If you received only a Notice of Internet Availability of Proxy Materials ( Notice ) by mail, you may vote your shares at the Internet site address listed on your Notice. You may also request a paper copy of the proxy materials by visiting the Internet site address listed on your Notice, calling the toll-free number listed on your Notice or sending an e-mail to the e-mail address listed on your Notice.**

**If you are one of our Italian shareholders, please remember to request a certification of participation in the Italian Central Depository System from your broker and include it in the same envelope as your Italian proxy card in order for your vote to be counted. If your shares are held in a bank or brokerage account in the United States, or if you are registered directly with us as the record holder of your shares, you may be eligible to vote your proxy electronically or by telephone. Please refer to the enclosed voting form for instructions.**

By Order of the Board of Directors

Louis A. Bianco  
Executive Vice President, Finance & Administration

Seattle, Washington

May 13, 2013

**YOUR VOTE IS IMPORTANT. IF YOU ARE ONE OF OUR SHAREHOLDERS IN ITALY, PLEASE REMEMBER TO PRINT AN ITALIAN PROXY CARD FROM OUR WEBSITE, OR ANY OF THE LOCATIONS LISTED IN THE PROXY STATEMENT, SIGN AND DATE THE ITALIAN PROXY CARD, REQUEST A CERTIFICATION OF PARTICIPATION IN THE ITALIAN CENTRAL DEPOSITORY SYSTEM FROM YOUR BROKER AND INCLUDE THE ITALIAN PROXY CARD AND CERTIFICATION OF PARTICIPATION IN THE SAME ENVELOPE OR TELECOPY THEM TOGETHER TO THE FACSIMILE NUMBER PROVIDED ON THE ITALIAN PROXY CARD (SEE PAGE 1 FOR MORE INFORMATION ON ITALIAN VOTING PROCEDURES).**

**Important Notice Regarding the Availability of Proxy Materials**

**for the Annual Meeting, Which Will Be Held on Wednesday, June 26, 2013:**

Notice of Annual Meeting of Shareholders and Proxy Statement are available on our website at

<http://www.celltherapeutics.com>.



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**CELL THERAPEUTICS, INC.**

**3101 Western Avenue, Suite 600**

**Seattle, Washington 98121, U.S.A.**

**PROXY STATEMENT**

**Information Regarding Proxies**

**General**

This Proxy Statement and the accompanying form of proxy card are furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Cell Therapeutics, Inc. (the Company) for use at our Annual Meeting of Shareholders (the Annual Meeting or shareholder meeting), which will be held at 10:00 a.m. Pacific Daylight Time (PDT), on Wednesday, June 26, 2013 at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A., and at any adjournment or postponement thereof.

At the Annual Meeting, shareholders will be asked:

- (1) to elect three Class I directors to the Board ( Proposal 1 );
- (2) to approve an amendment to our amended and restated articles of incorporation to increase the total number of authorized shares from 150,333,333 to 215,333,333 and the total number of authorized shares of common stock from 150,000,000 to 215,000,000 ( Proposal 2 );
- (3) to approve an amendment to our 2007 Equity Incentive Plan, as amended and restated (the 2007 Equity Plan) to increase the number of shares available for issuance under the 2007 Equity Plan by 12,000,000 shares ( Proposal 3 );
- (4) to ratify the selection of Marcum LLP as our independent auditors for the year ending December 31, 2013 ( Proposal 4 );
- (5) to approve the adjournment of the Annual Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Annual Meeting to adopt any of Proposals 1 through 4 ( Proposal 5 ); and
- (6) to transact such other business as may properly come before the Annual Meeting and all adjournments and postponements thereof. Shareholder approval of Proposals 1, 2 and 3 are required by statutes or regulations applicable to us based on our listing on The NASDAQ Stock Market LLC ( NASDAQ ) and our incorporation in the State of Washington.

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On or about May 13, 2013, proxy materials for the Annual Meeting, including this Proxy Statement, are being made available to shareholders entitled to vote at the Annual Meeting. We are pleased to begin utilizing the Securities and Exchange Commission (the SEC) rules that allow issuers to furnish proxy materials to their shareholders on the Internet. As a result, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials ( Notice ) instead of a paper copy of this Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Annual Report ). The Notice contains instructions on how to access those documents and vote online. The Notice also contains instructions on how each of those shareholders can receive a paper copy of the proxy materials, including this Proxy Statement, the 2012 Annual Report and a form of proxy card or voting instruction card. All shareholders who do not receive a Notice, such as shareholders who have previously requested to receive paper copies of proxy materials, will receive a paper copy of the proxy materials by mail. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting.

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**Important Information for our Shareholders in Italy about Voting Procedures**

If you hold shares of our common stock as a result of a merger with Novuspharma S.p.A. or if you acquired shares of our common stock through an account with an Italian bank on the Mercato Telematico Azionario stock market in Italy (the MTA), you most likely hold these shares indirectly through the facilities of the Monte Titoli, S.p.A., the Italian central clearing agency ( Monte Titoli ), and through the banks and brokers participating in the Monte Titoli system (unless you or your broker has taken action to remove your shares from the Monte Titoli system and requested to have shares registered in your name). Persons holding shares of our common stock through Monte Titoli are referred to as our shareholders in Italy or our Italian shareholders in this Proxy Statement. Monte Titoli, in turn, holds these shares of our common stock through the U.S. clearing agency, the Depository Trust Company ( DTC ). Pursuant to U.S. law, DTC will transfer its voting power over the shares in Monte Titoli's account to Monte Titoli. Monte Titoli has agreed with us that it will re-transfer its voting power over such shares to the persons holding certifications of participation (each, a Certification ) in the Italian Central Depository System issued pursuant to Italian law (Section 21 (and the following sections) of the Regulation enacted by the Bank of Italy and the Commissione Nazionale per le Società e la Borsa ( CONSOB ) on February 22, 2008).

In order to increase the number of shares owned by our Italian shareholders that vote at the Annual Meeting so that we can achieve a quorum and take action at the Annual Meeting and facilitate voting regarding the matters submitted for approval at the Annual Meeting, all of which has been difficult in the past, we have requested that certain Italian banks, in the absence of the shareholder's instructions to the contrary, make book-entry transfers of our common stock, in part or all of the shares, held in the name of and in the customer's account by such banks to an account opened in the name of the same banks at a U.S. broker-dealer on the record date. Under the securities laws of the United States and the rules of the New York Stock Exchange (the NYSE), this will permit such U.S. broker-dealers who hold shares transferred to them from Italian banks to vote these shares for certain routine matters to be presented at the Annual Meeting to the extent that the Italian shareholders have not instructed their broker to vote the shares pursuant to the procedures provided for in this Proxy Statement and on the proxy card prepared for our shareholders in Italy, which may be obtained from our website at <http://www.celltherapeutics.com>. Our Italian shareholders will, however, maintain their right to instruct the U.S. broker-dealer so that the broker-dealer refrains from taking any action in relation to such shareholder's shares, including voting the shares. Accordingly, if you do not vote your shares by valid proxy or you do not provide any specific instruction in relation thereto on or before the date of the Annual Meeting and your shares are held through an Italian bank participating in this transfer procedure, your shares will be voted by the U.S. broker-dealer pursuant to the discretionary authority granted them under Rule 452 of the NYSE. However, you may still vote your shares yourself as provided below.

Copies of this Proxy Statement may be obtained by our Italian shareholders from any of the following places:

the office of the Italian branch of our subsidiary CTI Life Sciences Limited (Attention: Investor Relations, CTI Life Sciences Limited at +39 02 89659700), at Via Amedei 8, 20123 Milan, Italy;

the office of any of the depository banks (or intermediaries of Monte Titoli) having our shares in their accounts;

the SEC's website at <http://www.sec.gov>; or

our website at <http://www.celltherapeutics.com>.

This Proxy Statement will be available for our Italian shareholders at least twenty (20) days before the Annual Meeting date of June 26, 2013. All of our shareholders, including our Italian shareholders, are cordially invited to attend the Annual Meeting. If you hold shares of our common stock in Italy through Monte Titoli, your broker is required by Italian law to provide you with a Certification in the Italian Central Depository System.

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Italian shareholders who have requested and received a Certification may vote in the following manner:

*In person.* You may attend the Annual Meeting and vote in person. To do so, please present your Certification at the door, together with proof of your identity.

*By mail or facsimile.* You may print an Italian proxy card from our website at <http://www.celltherapeutics.com> and use that proxy card to vote by mail or facsimile. Please mark your votes on the Italian proxy card and return it and your Certification by mail to the address shown on the card or by facsimile to the facsimile number shown on the card by the deadline shown on the card. Your name as you write it on your Italian proxy card must exactly match your name as printed on your Certification. Italian privacy law prevents us from learning in advance the names of the persons holding Certifications. Thus, you must include your Certification (or a complete copy) in the same envelope as your Italian proxy card in order for your vote to be counted (that is, in order to prove to our inspector of election that you have the right to vote).

*By proxy.* You may name another person as a substitute proxy by any means permitted by Washington law and our second amended and restated bylaws (our bylaws). That substitute proxy may then attend the Annual Meeting, provided that he or she provides your Certification or a complete copy thereof, together with your written authorization naming such person as your proxy, to our inspector of election at the Annual Meeting in order to verify the authenticity of your proxy designation.

We strongly encourage our Italian shareholders to obtain a Certification and an Italian proxy card and submit them by mail to the address shown **on the Italian proxy card or, if possible, send by facsimile to the facsimile number shown on the Italian proxy card.** A significant percentage of our shares are held by persons in Italy. If our Italian shareholders do not take the time to vote, then we will not be able to obtain a quorum, in which case we would be unable to conduct any business at the Annual Meeting, and will not be able to obtain approval of the Proposals. **Your vote is important. Please obtain a Certification and an Italian proxy card and vote today.**

For future meetings, an Italian shareholder may also vote via internet or by phone if the shares owned by such Italian shareholder are held directly by a U.S. brokerage account in that shareholder's name. If you are an Italian shareholder and wish to use this method of voting for future meetings, then prior to the record date for such future meeting you will need to instruct your bank to transfer your shares to a U.S. brokerage account (to be held in your name and for your account). Once your shares are held by a U.S. broker-dealer in your name, you will receive the shareholder meeting documentation for any future meetings (including the proxy statement) at your address, together with a security code and instructions on how to vote your shares through the relevant website or by calling the telephone number provided in connection with that meeting. You will not need to transfer your shares before every meeting; once the transfer has been made and your shares are held in a U.S. brokerage account, you will be able to vote your shares via internet or phone for all future meetings so long as your shares continue to be held in a U.S. brokerage account. If you wish to make such a transfer to allow voting via internet or phone for future meetings, please contact your bank to understand the procedure and the costs associated with that transfer. Please note that you will be required by your bank to bear the costs relating to such a transfer, including those debited or claimed by the U.S. broker-dealer for the management of the account in the U.S.

Our Italian shareholders who are registered directly with us as a record holder (*i.e.*, you hold your shares in registered form) may also vote via internet or by phone. If you do not hold your shares in registered form, you may request to be registered directly with us as a record holder, which will entitle you to receive shareholder materials for future meetings directly at your address as indicated in the registration. If you are interested in having your shares registered directly with us for the purposes of receiving shareholder information directly for future meetings, please contact your bank for more information on the procedures required for such registration, which would include, among other things, the submission of a registration request (together with a Certification) to our transfer agent, the removal of your shares from Monte Titoli's account and the transfer of such shares to the United States directly in your name. Please note that registration in our shareholder books may require you to take additional steps if and when you decide to dispose of your shares.

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### **Solicitation of Proxies**

This solicitation is made on behalf of the Board. All expenses in connection with the solicitation of proxies will be borne by us. In addition to solicitation by mail, our officers, directors or other regular employees may solicit proxies by telephone, facsimile, electronic communication or in person. These individuals will not receive any additional compensation for these services. We have engaged The Proxy Advisory Group, LLC to assist in the solicitation of proxies and provide related advice and informational support, for a service fee, plus customary disbursements, which are not expected to exceed \$30,000 in the aggregate.

### **Record Date, Voting Rights and Outstanding Shares**

Only shareholders of record on our shareholder books at the close of business on May 6, 2013 (the record date) will be entitled to notice of, and to vote at, the Annual Meeting. Each holder of record of our common stock, no par value per share, outstanding on the record date will be entitled to one vote per share on all matters to be voted upon at the Annual Meeting. As of the close of business on the record date, there were issued and outstanding 112,633,915 shares of common stock. As of the close of business on the record date, we do not have any other class of capital stock outstanding.

### **Dissenters Rights or Appraisal Rights**

Pursuant to applicable Washington law, there are no dissenters or appraisal rights relating to the matters to be acted upon at the Annual Meeting.

### **Quorum, Abstentions and Broker Non-Votes**

A quorum of shareholders must be established at the Annual Meeting in order to transact business at the Annual Meeting. Under the Business Corporation Act of Washington, a quorum may be established in one of two ways. Pursuant to the first quorum standard, the presence in person, by telephone or by proxy of the holders of at least one-third of the shares outstanding and entitled to vote at the Annual Meeting constitutes a quorum ( Quorum Standard 1 ). Therefore, we will need at least 37,544,639 shares of our common stock present in person, by telephone or by proxy at the Annual Meeting for Quorum Standard 1 to be established. However, we may establish a quorum under the second quorum standard. In order to satisfy the second quorum standard, a majority of the shares outstanding and entitled to vote at the Annual Meeting other than shares held of record by DTC and credited to the account of stock depositories located in a member state of the European Union must be present in person, by telephone or by proxy at the Annual Meeting, provided the number of votes comprising such majority equals or exceeds one sixth of the shares outstanding and entitled to vote at the Annual Meeting ( Quorum Standard 2 ). As of the close of business on the record date, there were issued and outstanding 82,761,841 shares of our common stock other than shares held of record by DTC and credited to the account of stock depositories located in a member state of the European Union. Accordingly, 41,380,921 of the shares of our common stock other than shares held of record by DTC and credited to the account of stock depositories located in a member state of the European Union must be present in person, by telephone or by proxy at the Annual Meeting for Quorum Standard 2 to be established. All shares of our common stock are eligible to vote for the Proposals. Under Quorum Standard 2, certain shares are not counted for quorum purposes. However, even if a quorum is established under Quorum Standard 2, all shares are eligible to vote and all such votes will be counted.

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions, withheld votes and broker non-votes. Abstentions and broker non-votes will be counted in determining whether a quorum is present, *except* that abstentions and broker non-votes of shares credited to the account of stock depositories located in a member state of the European Union (including shares that are held through Monte Titoli) and not transferred in accordance with the procedure described in

Important Information for our Shareholders in Italy about Voting Procedures above will not be counted in determining whether a quorum is present for purposes of establishing Quorum Standard 2. Abstentions represent a shareholder's affirmative choice to decline to vote on a proposal. Broker non-votes occur



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when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular matter because such broker, bank or other nominee does not have discretionary authority to vote on that matter and has not received voting instructions from the beneficial owner. Brokers, banks and other nominees typically do not have discretionary authority to vote on non-routine matters. Under the rules of the NYSE, as amended, which apply to all NYSE-licensed brokers (the NYSE Rules ), brokers have discretionary authority to vote on routine matters when they have not received timely voting instructions from the beneficial owner.

If a quorum is established at the Annual Meeting, all shares of our common stock represented by properly executed proxies that are not revoked will be voted in accordance with the instructions, if any, given therein. In the absence of a quorum, the Chairman of the Annual Meeting may adjourn the Annual Meeting. Proxy cards that are signed and returned without specifying a vote or an abstention on any proposal specified therein will be voted according to the recommendations of the Board on such proposals, which recommendations are in favor of all of the Proposals, and will be voted, in the proxies' discretion, upon such other matter or matters that may properly come before the Annual Meeting and any such postponements or adjournments thereof. All proxy cards, whether received prior to or after the original date of the Annual Meeting, will be valid as to any postponements or adjournments of the Annual Meeting.

When an eligible voter attends the Annual Meeting, but affirmatively decides not to vote, the eligible voter's decision not to vote is called an abstention. Properly executed proxy cards that are marked "abstain" or "withhold authority" on any proposal will be treated as abstentions for that proposal. We will treat abstentions as follows:

abstention shares are present and entitled to vote for purposes of determining the presence of a quorum;

abstentions will be treated as not voting for purposes of determining the approval of any matter submitted to the shareholders for a vote requiring a plurality, a majority or some other percentage of the votes *actually cast*; and

abstentions will have the same effect as votes against a proposal if the vote required is a majority or some other percentage of the *voting power present* for that proposal or of the votes *entitled to be cast* on that proposal.

In Proposal 1, the three Class I nominees for director seats who receive the most votes cast at the Annual Meeting in person, by telephone or by proxy shall be elected. Abstentions and broker non-votes have no effect on the outcome of Proposal 1. No cumulative voting for directors is permitted under our amended and restated articles of incorporation.

The affirmative vote of a majority of votes *actually cast* that are present in person, by telephone or by proxy is required to approve Proposal 2, provided that the affirmative vote for Proposal 2 equals or exceeds 15% of the votes *entitled to be cast*. If the affirmative vote does not equal or exceed 15% of the votes *entitled to be cast*, abstentions will have the effect of votes cast against Proposal 2. However, if the affirmative vote equals or exceeds the 15% threshold, then abstentions will not be counted and will have no effect on the outcome of Proposal 2.

The affirmative vote of a majority of votes *actually cast* that are present in person, by telephone or by proxy is required to approve Proposals 3, 4 and 5. Abstentions will not be counted as votes cast against Proposals 3, 4 and 5 and will have no effect on the outcome of Proposals 3, 4 and 5 because approval is based on the number of votes *actually cast*.

Proposals 2, 4 and 5 are considered to be routine matters under the NYSE Rules and, accordingly, if you do not instruct your broker, bank or other nominee on how to vote the shares in your account for Proposals 2, 4 or 5, brokers will be permitted to exercise their discretionary authority to vote for such proposals. Because the vote under Proposal 3 is considered to be non-routine matters under the NYSE Rules, if you do not instruct your broker, bank or other nominee on how to vote the shares in your account for Proposal 3, brokers will not be

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permitted to exercise their voting authority and uninstructed shares will constitute broker non-votes. Broker non-votes for Proposal 3 will have no effect on the outcome of Proposal 3 because approval is based on the number of votes *actually cast*.

### **Voting Electronically or by Telephone**

You may vote by proxy or in person at the Annual Meeting. If you received a paper copy of the proxy materials by mail, you may vote your shares by proxy by doing any one of the following: vote at the Internet site address listed on your proxy or voting instruction card; call the toll-free number listed on your proxy or voting instruction card; or mail your signed and dated proxy or voting instruction card to our tabulator in the self-addressed envelope provided. If you received only a Notice of Internet Availability of Proxy Materials by mail, you may vote your shares online by proxy at the Internet site address listed on your Notice. You may also request a paper copy of our proxy materials by visiting the Internet site address listed on your Notice, calling the toll-free number listed on your Notice or sending an e-mail to the e-mail address listed on your Notice. Even if you plan to attend the Annual Meeting, we recommend that you vote by proxy prior to the Annual Meeting.

### **Revocability of Proxies**

Any shareholder executing a proxy has the power to revoke it at any time prior to the voting thereof on any matter by delivering written notice to our secretary, Louis A. Bianco, at our principal executive offices, by executing and delivering another proxy dated as of a later date or by voting in person at the Annual Meeting. Attendance at the Annual Meeting will not, by itself, revoke a proxy. For our Italian shareholders, any written notice of revocation or another proxy, in either case dated as of a later date, must also be accompanied by another Certification.

### **Voting Agreements**

At the time of our merger with Novuspharma, S.p.A., we entered into an agreement with Monte Titoli in order to ensure that persons receiving beneficial interests in shares of our common stock as a result of the merger would be able to vote those shares. Monte Titoli agreed that each time it is designated as proxy by DTC, Monte Titoli will execute a further omnibus proxy transferring its voting power to the persons who hold Certifications issued pursuant to Italian law (Section 21 (and the following sections) of the Regulation enacted by the Bank of Italy and CONSOB on February 22, 2008).

Pursuant to our Settlement Agreement and Full and Final Release of Claims with Craig W. Philips, dated as of October 25, 2012, Mr. Philips has agreed to vote his shares of our common stock in a manner consistent with the recommendation of the Board through October 13, 2013.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**Summary**

Our amended and restated articles of incorporation and bylaws provide for the Board to be divided into three approximately equal classes of directors serving staggered three-year terms. Each director holds office until the later of the term elected or until his or her successor is elected. As a result, approximately one-third of the total number of directors are elected every year at the Annual Meeting.

Under our bylaws, the number of directors constituting the entire Board may be decreased or increased by majority action of either the Board or the shareholders. Unless a director resigns or is removed for cause, no decrease in the number of directors may have the effect of shortening the term of any incumbent director. In the event of a vacancy on the Board, our bylaws permit a majority of the remaining directors in office to fill the vacancy, and the director then chosen will hold office until the next shareholders meeting at which directors are elected. At such meeting, the director will stand for election until the later of the term elected or until his or her successor is elected.

The Board has fixed the number of directors at 12. Currently, there are nine members of the Board. From time to time, our Nominating and Governance Committee evaluates potential candidates to fill the vacancies on the Board. Proxies cannot be voted for a greater number of persons than the number of nominees named.

The current terms of office of the Class I directors, Mr. John H. Bauer, Dr. Phillip M. Nudelman and Dr. Reed V. Tuckson, expire at the Annual Meeting. The current terms of office of the Class II directors, Dr. James A. Bianco, Dr. Vartan Gregorian and Dr. Frederick W. Telling, expire at the 2014 annual meeting of shareholders. The current terms of office of the Class III directors, Mr. Richard L. Love, Dr. Mary O. Munding and Dr. Jack W. Singer, expire at the 2015 annual meeting of shareholders.

**Nominees for Election as Directors**

Mr. Bauer, Dr. Nudelman and Dr. Tuckson have been nominated by the Board for election at the Annual Meeting as Class I directors for three year terms expiring at the 2016 annual meeting of shareholders.

If elected, each nominee will hold office until the later of expiration of his term or until his successor is elected. It is intended that the accompanying proxy will be voted for the election as directors of Mr. Bauer, Dr. Nudelman and Dr. Tuckson unless the proxy contains contrary instructions.

Each nominee has agreed to serve if elected and we have no reason to believe that any of the nominees will not be a candidate or will be unable to serve. However, if any of the nominees should become unable or unwilling to serve as a director, the persons named in the proxy have advised us that they will vote for the election of the substitute nominee or nominees designated by the Board.

**Vote Required and Board of Directors Recommendation**

The three Class I nominees for director seats who receive the most votes cast at the Annual Meeting in person, by telephone or by proxy shall be elected. No cumulative voting for directors is permitted under our amended and restated articles of incorporation. Abstentions and broker non-votes will have no effect on the outcome of the election of directors. Proxies cannot be voted for a greater number of persons than the number of nominees named.

**Table of Contents****THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS****A VOTE IN FAVOR OF EACH NAMED NOMINEE.****Information about Nominees and Continuing Directors**

The table below provides biographical information as of May 1, 2013 for each nominee for director and each person whose term of office as a director will continue after the Annual Meeting.

Name	Age	Director Since	Class	Term Expiration
John H. Bauer(3)	72	2005	I	2013 Annual Meeting
James A. Bianco, M.D.	56	1991	II	2014 Annual Meeting
Vartan Gregorian, Ph.D.(3)(4)	79	2001	II	2014 Annual Meeting
Richard L. Love(2)(4)	69	2007	III	2015 Annual Meeting
Mary O. Munding, DrPH(2)(4)	76	1997	III	2015 Annual Meeting
Phillip M. Nudelman, Ph.D.(1)(2)(3)(4)	77	1994	I	2013 Annual Meeting
Jack W. Singer, M.D.	70	1991	III	2015 Annual Meeting
Frederick W. Telling, Ph.D.(2)(3)	61	2006	II	2014 Annual Meeting
Reed V. Tuckson, M.D.	62	2011	I	2013 Annual Meeting

- (1) Chairman of the Board.
- (2) Member of the Compensation Committee.
- (3) Member of the Audit Committee.
- (4) Member of the Nominating and Governance Committee.

**Nomination for Election for a Term Continuing Until the 2016 Annual Meeting Class I Directors**

**Mr. Bauer** has been one of our directors since October 2005. Mr. Bauer serves as an executive advisor and Chief Financial Officer at DigiPen Institute of Technology. He was formerly Executive Vice President for Nintendo of America Inc. from 1994 to 2004. While at Nintendo of America Inc., he had direct responsibility for all administrative and finance functions. He has also served as a consultant to Nintendo of America Inc. From 1963 to 1994, he worked for Coopers & Lybrand, including serving as the business assurance (audit) practice partner. He was also a member of Coopers & Lybrand's Firm Council, the senior policy making and governing board for the firm. Mr. Bauer is also a member of the board of directors of RIPL Corporation and Zones, Inc. Mr. Bauer received his B.S. degree in accounting from St Edward's University.

**Dr. Nudelman** has been one of our directors since March 1994. From 2000 to 2007, he served as the President and Chief Executive Officer of The Hope Heart Institute. From 1998 to 2000, he was the Chairman of the board of directors of Kaiser/Group Health. He held various positions at Group Health and from 1990 to 2000, Dr. Nudelman was the President and Chief Executive Officer of Group Health Cooperative of Puget Sound, a health maintenance organization. He retired from Group Health as President and CEO Emeritus. He also currently serves on the board of directors of OptiStor Technologies, Inc. Dr. Nudelman served on the White House Task Force for Health Care Reform from 1992 to 1994 and the President's advisory Commission on Consumer Protection and Quality in Health Care from 1996 to 1998. He has also served on the Pew Health Professions Commission and the AMA Task Force on Ethics, the Woodstock Ethics Commission, and is the past Chairman of the American Association of Health Plans. Dr. Nudelman received his B.S. degree in microbiology, zoology and pharmacy from the University of Washington, and holds an M.B.A. and a Ph.D. in health systems management from Pacific Western University.

**Dr. Tuckson** has been one of our directors since September 2011. Dr. Tuckson serves as the Managing Director of Tuckson Health Connections, a private consulting company. From December 2006 to March 2013, Dr. Tuckson served as the Executive Vice President and Chief of Medical Affairs of UnitedHealth Group and from November 2000 to December 2006, he served as Senior Vice President of Clinical Affairs of UnitedHealth

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Group. Dr. Tuckson also served as Senior Vice President, Professional Standards, for the American Medical Association; President of the Charles R. Drew University of Medicine and Science in Los Angeles; Senior Vice President for Programs of the March of Dimes Birth Defects Foundation; and Commissioner of Public Health for the District of Columbia. He currently serves on the board of directors of the Alliance for Health Reform, the American Telemedicine Association, Project Sunshine, the Arnold P. Gold Foundation and the Advisory Committee to the Director of the National Institute of Health. Dr. Tuckson received his B.S. degree in Zoology from Howard University and his medical doctor degree from the Georgetown University School of Medicine, and completed the Hospital of the University of Pennsylvania's General Internal Medicine Residency and Fellowship programs.

### **Directors Continuing in Office Until the 2014 Annual Meeting Class II Directors**

**Dr. Bianco** is our principal founder and served as our President and Chief Executive Officer and one of our directors from February 1992 to July 2008. Since August 2008, Dr. Bianco has served as our Chief Executive Officer and a director, and in July 2012, Dr. Bianco was appointed our President. Prior to our founding, Dr. Bianco was an assistant professor of medicine at the University of Washington, Seattle, and an assistant member in the clinical research division of the Fred Hutchinson Cancer Research Center. From 1990 to 1992, Dr. Bianco was the director of the Bone Marrow Transplant Program at the Veterans Administration Medical Center in Seattle. Dr. Bianco currently serves on the board of directors of the Seattle Police Foundation and the Seattle Symphony Orchestra. Dr. Bianco received his B.S. degree in biology and physics from New York University and his M.D. from Mount Sinai School of Medicine. Dr. Bianco is the brother of Louis A. Bianco, our Executive Vice President, Finance and Administration.

**Dr. Gregorian** has been one of our directors since December 2001. He is the twelfth president of Carnegie Corporation of New York, a grant-making institution founded by Andrew Carnegie in 1911. Prior to his current position, which he assumed in June 1997, Dr. Gregorian served for eight years as Brown University's sixteenth president. He was awarded a Ph.D. in history and humanities from Stanford University. A Phi Beta Kappa and a Ford Foundation Foreign Area Training Fellow, he is a recipient of numerous fellowships, including those from the John Simon Guggenheim Foundation, the American Council of Learned Societies, the Social Science Research Council, and the American Philosophical Society.

**Dr. Telling** has been one of our directors since December 2006. Prior to his retirement in 2007, Dr. Telling was a corporate officer of Pfizer, most recently as Vice President of Corporate Policy and Strategic Management since 1994. He joined Pfizer in 1977 and was responsible for strategic planning and policy development throughout the majority of his career. He currently serves as chairman of Organics, Inc. and on the board of directors of Eisai N.A., and Aequus Biopharma, Inc., our majority-owned subsidiary (Aequus). Dr. Telling is also a member of the board of directors and executive committees of the Committee for Economic Development, the EAA, and the United Hospital Fund. Dr. Telling received his B.A. degree from Hamilton College and his Masters of Industrial and Labor Relations and Ph.D. in Economics and Public Policy from Cornell University.

### **Directors Continuing in Office Until the 2015 Annual Meeting Class III Directors**

**Mr. Love** has been one of our directors since September 2007. Mr. Love is presently a manager of Translational Accelerators, LLC. Mr. Love is also a director of Applied Microarrays Inc., PAREXEL International, SalutarisMD Inc. and acting chief executive officer of CerRx Inc., was previously a director of ImaRx Therapeutics Inc., and, prior to our acquisition of it in July 2007, served as chairman of the board of directors of Systems Medicine, Inc. He started two biopharmaceutical companies, Triton Biosciences Inc. and ILEX Oncology Inc.; he served as chief executive officer for Triton Biosciences from 1983 to 1991, and as chief executive officer for ILEX Oncology 1994 to 2001. In addition, Mr. Love has served in executive positions at not-for-profit organizations, including the Cancer Therapy and Research Center, The San Antonio Technology Accelerator Initiative and the Translational Genomics Research Institute. Mr. Love received his B.S. and M.S. degrees in chemical engineering from Virginia Polytechnic Institute.

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**Dr. Mundinger** has been one of our directors since April 1997. From 1986 to 2010, she was a dean and professor at the Columbia University School of Nursing, and an associate dean on the faculty of medicine at Columbia University. In July 2010, Dr. Mundinger was appointed the Edward M. Kennedy Professor in Health Policy and Dean Emeritus at the Columbia University School of Nursing. Dr. Mundinger has served on the board of directors of United Health Group and Gentiva Health Services and is an elected member of the Institute of Medicine of the National Academies, the American Academy of Nursing and the New York Academy of Medicine. Dr. Mundinger received her doctorate in public health from Columbia's School of Public Health.

**Dr. Singer** is one of our founders and directors and currently serves as our Executive Vice President, Global Medical Affairs and Translational Medicine. Dr. Singer has been one of our directors since our inception in September 1991. From July 1995 to January 2004, Dr. Singer was our Executive Vice President, Research Program Chairman and from April 1992 to July 1995, he served as our Executive Vice President, Research and Development. Prior to joining us, Dr. Singer was a professor of medicine at the University of Washington and a full member of the Fred Hutchinson Cancer Research Center. From 1975 to 1992, Dr. Singer was the Chief of Medical Oncology at the Veterans Administration Medical Center in Seattle. Dr. Singer received his M.D. from State University of New York, Downstate Medical College.

### **Board of Directors and Committee Meetings**

The Board held 21 meetings during the year ended December 31, 2012. Each of the directors serving on the Board in 2012 attended at least 75% of the total number of meetings of the Board and of all committees of the Board during the time which they served. Independent directors of the Board meet in regularly scheduled sessions without management. Our policy is to encourage attendance at the Annual Meeting. Three of the directors in office at the time of our 2012 annual meeting of shareholders were in attendance at our 2012 annual meeting of shareholders.

The Board has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

#### *Audit Committee*

The Audit Committee has responsibility for assisting the Board in overseeing our accounting and financial reporting processes and audits of our financial statements. The Audit Committee assists the Board in oversight and monitoring of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications, independence and performance and (iv) our internal controls over financial reporting and systems of disclosure controls and procedures. The Board has adopted a written charter for the Audit Committee, a copy of which is available on our website at <http://www.celltherapeutics.com>. The composition of the Audit Committee and the attributes of its members, and the responsibilities of the Audit Committee as reflected in its charter adopted by the Board, are intended to be in accordance with SEC rules and NASDAQ Listing Rules with regard to corporate audit committees.

The Audit Committee held five meetings during the year ended December 31, 2012. The Audit Committee currently consists of four non-employee directors: Mr. Bauer (Chairperson), Dr. Gregorian, Dr. Nudelman and Dr. Telling.

The Board has determined that each of the current members of the Audit Committee meets the requirements of independence as set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934 (the Exchange Act), the rules and regulations promulgated by the SEC and the NASDAQ Listing Rules. Additionally, the Board has determined that Mr. Bauer qualifies as an audit committee financial expert as defined under the rules and regulations of the SEC and that he has accounting and related financial management expertise within the meaning of the NASDAQ Listing Rules.

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### *Compensation Committee*

The Compensation Committee has responsibility for assisting the Board in carrying out the Board's responsibilities relating to compensation of our chief executive officer and all other officers with the title of executive officer and above or who otherwise report directly to the chief executive officer, and the Compensation Committee has overall responsibility for approving and evaluating all our compensation plans, policies and programs as they affect such officers. The Compensation Committee also administers our equity compensation plans and reviews and approves our compensation disclosure and analysis included in our annual report and proxy statement. The Compensation Committee held ten meetings during the year ended December 31, 2012. The Compensation Committee currently consists of four non-employee directors: Dr. Telling (Chairperson), Mr. Love, Dr. Munding and Dr. Nudelman, each of whom meets the requirements of independence as set forth in the rules and regulations promulgated by the SEC and the NASDAQ Listing Rules. The Compensation Committee has a written charter, which is available at our website at <http://www.celltherapeutics.com>.

### *Nominating and Governance Committee*

We believe that the Board as a whole should encompass a range of talent, skill, diversity, and expertise enabling it to provide sound guidance with respect to our operations and interests. In addition to considering a candidate's background and accomplishments, candidates are reviewed in the context of the current composition of the Board and the evolving needs of our business. Our policy is to have at least a majority of directors qualify as independent under the NASDAQ Listing Rules and our Corporate Governance Guidelines, which are available at our website at <http://www.celltherapeutics.com>.

The Nominating and Governance Committee is responsible for establishing standards and processes so that the Board can be properly constituted to meet its fiduciary obligations to us and our shareholders and so that we have and follow appropriate governance standards. The Nominating and Governance Committee is responsible for overseeing the evaluation of the Board and our management, and reviewing with the Board, on an annual basis, the desired Board qualifications, expertise, characteristics and other factors for potential consideration, which review includes consideration of diversity, skills and experience. The Nominating and Governance Committee is responsible for conducting searches for potential Board members with corresponding attributes and evaluating and proposing nominees for election to the Board. The Nominating and Governance Committee seeks directors with strong reputations and experience in areas relevant to the strategy and operations of our business, particularly industries and growth segments that we serve, as well as key experience with regulatory agencies such as the U.S. Food and Drug Administration and the European Medicines Agency. Each of the nominees for election as a director at the Annual Meeting and each of our current directors holds or has held senior executive positions in, and/or has experience serving on the boards of directors and board committees of, large, complex organizations and has operating experience that meets this objective. In these positions, they have also gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management, and leadership development.

The Nominating and Governance Committee also believes that each of the nominees and current directors has other key attributes that are important to an effective board: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of origin, background, experience, and thought; and the commitment to devote significant time and energy to service on the Board and its committees.

The Nominating and Governance Committee ensures that nominations to the Board are made such that the Board is properly constituted in addition to evaluating both the composition and governance of the Board and our corporate governance. Although we do not have a policy regarding diversity, the Nominating and Governance Committee seeks a broad range of perspectives and considers both the personal characteristics (gender, ethnicity, age) and experience (industry, professional, public service) of directors and prospective nominees to the Board. The Nominating and Governance Committee held no meetings during the year ended December 31, 2012, but

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took action by unanimous written consent. The Nominating and Governance Committee currently consists of four non-employee directors: Dr. Munding (Chairperson), Dr. Gregorian, Mr. Love and Dr. Nudelman, all of whom meet the independence requirements as set forth in the rules and regulations promulgated by the SEC and the NASDAQ Listing Rules. The Nominating and Governance Committee has a written charter, which is available at our website at <http://www.celltherapeutics.com>.

### **Director Independence**

The Board has adopted standards concerning director independence which meet the NASDAQ independence standards and, with respect to the Audit Committee, the rules of the SEC.

We, the Nominating and Governance Committee and the Board are involved in the process for determining the independence of acting directors and director nominees. We solicit relevant information from directors and director nominees via a questionnaire, which covers material relationships, compensatory arrangements, employment and any affiliation with us. In addition to reviewing information provided in the questionnaire, we ask our executive officers on an annual basis regarding their awareness of any existing or currently proposed transactions, arrangements or understandings involving us in which any director or director nominee has or will have a direct or indirect material interest. We share our findings with the Nominating and Governance Committee and the Board regarding the NASDAQ and SEC independence requirements and any information regarding the director or director nominee that suggest that such individual is not independent. The Board discusses all relevant issues, including consideration of any transactions, relationships or arrangements which are not required to be disclosed under Item 404(a) of Regulation S-K, prior to making a determination with respect to the independence of each director.

In making independence determinations, the following relationships were considered:

Dr. Nudelman's son, Mark Nudelman, serves as the President and Chief Executive Officer of the Hope Heart Institute. We made charitable donations to the Hope Heart Institute in 2012; however, the amount falls within NASDAQ prescribed limits.

Based on the review described above, the Board affirmatively determined that:

A majority of the directors are independent, and all members of the Audit, Compensation and Nominating and Governance Committees are independent, under the NASDAQ standard and, in the case of the Audit Committee, the SEC standard.

All of the non-management directors of the Board are independent under the NASDAQ standard. The independent directors are: John H. Bauer, Vartan Gregorian, Ph.D., Richard L. Love, Mary O. Munding, DrPH, Phillip M. Nudelman, Ph.D., Frederick W. Telling, Ph.D. and Reed V. Tuckson, M.D.

James A. Bianco, M.D. and Jack W. Singer, M.D. are not independent by virtue of their positions as our President and Chief Executive Officer, and Executive Vice President, Global Medical Affairs and Translational Medicine, respectively.

Other than as described above, in 2012, there were no transactions, relationships or arrangements not disclosed as related person transactions that were considered by the Board in determining that the applicable independence standards were met by each of the directors.

### **Leadership Structure**

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in our best interest to make that determination based on our position and direction and the membership of the Board. Pursuant to our bylaws, the Board in its discretion may elect a Chairman from among its members. The Board has determined that having an independent director serve



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as Chairman of the Board is in our best interest at this time. Dr. Nudelman has served as the Chairman of the Board since October 2005. Because Dr. Nudelman meets the independence standards of the NASDAQ Listing Rules, he also presides over separate meetings for the independent directors. The Board regularly provides such independent directors separate meeting time. This structure ensures a greater role for the independent directors in our oversight and active participation of the independent directors in setting agendas and establishing Board priorities and procedures. Further, this structure permits the Chief Executive Officer to focus on the management of our day-to-day operations, while the Chairman of the Board presides at all meetings of the Board and shareholders at which he is present; establishes the agenda for each Board's meeting; sets a schedule of an annual agenda, to the extent foreseeable; calls and prepares the agenda for and presides over separate sessions of the independent directors; acts as a liaison between the independent directors and our management and performs such other powers and duties as may from time to time be assigned to him by the Board or as may be prescribed by our bylaws. The Board will review from time to time the appropriateness of its leadership structure and implement any changes at it may deem necessary.

## **Risk Oversight**

Companies face a variety of risks, including credit risk, liquidity risk, and operational risk. The Board believes an effective risk management system will (1) timely identify the material risks that we face, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant committee of the Board, (3) implement appropriate and responsive risk management strategies consistent with our risk profile, and (4) integrate risk management into our decision-making.

The Board takes the lead in overseeing risk management and the Audit Committee makes periodic reports to the Board regarding briefings provided by management and advisors as well as the Committee's own analysis and conclusions regarding the adequacy of our risk management processes. Material risks are identified and prioritized by management, and each prioritized risk is referred to a committee of the Board or the full Board for oversight. For example, management refers strategic risks to the full Board while financial risks are referred to the Audit Committee. The Board regularly reviews information regarding our credit, liquidity, and operations, as well as the risks associated with each, and annually reviews our risk management program as a whole. Also, the Compensation Committee periodically reviews our compensation programs to help ensure that they do not encourage excessive risk-taking. Please see the Risk Considerations section of the Compensation Discussion and Analysis below for more information.

In addition to the formal compliance program, the Board encourages management to promote a corporate culture that incorporates risk management into our corporate strategy and day-to-day business operations. The Board also continually works, with the input of our executive officers, to assess and analyze the most likely areas of future risk for us.

## **Code of Ethics**

We have adopted a code of ethics for our senior executive and financial officers (including our principal executive officer and principal financial officer), as well as a code of ethics applicable to all employees and directors. Both codes of ethics are available on our website at <http://www.celltherapeutics.com>. Shareholders may request a free copy of the codes of ethics from:

Cell Therapeutics, Inc.

Attention: Investor Relations

3101 Western Avenue, Suite 600

Seattle, WA 98121

(206) 282-7100

Any waivers of or amendments to our code of ethics will be posted on our website, at <http://www.celltherapeutics.com>.

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### **Corporate Governance Guidelines**

We have adopted Corporate Governance Guidelines, which are available on our website at <http://www.celltherapeutics.com>. Shareholders may request a free copy of the Corporate Governance Guidelines at the address and phone numbers set forth above.

### **Shareholder Proposals**

Shareholder proposals submitted pursuant to Rule 14a-8 of the Exchange Act and intended for inclusion in the proxy statement related to the next annual meeting of shareholders should be sent to our secretary at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A. and must be received by January 13, 2014. Under our bylaws, a shareholder may recommend a person as a nominee for director by writing to our secretary. Notice of a nomination of a candidate for election as a director or any other shareholder proposal to be made at the 2014 annual meeting of shareholders (whether or not included in the proxy statement) must be received by March 28, 2014 and must comply with our bylaws. If a shareholder gives notice of such proposal after such date, proxy holders will be allowed to use their discretionary voting authority to vote the shares they represent as the Board may recommend, which may include a vote against the shareholder proposal when and if the proposal is raised at our 2014 annual meeting of shareholders. If we change the date of our next annual meeting of shareholders by more than 30 days from the date of the previous year's annual meeting of shareholders, then the deadlines are a reasonable time before we begin to print and send proxy materials to our shareholders.

As set forth in our bylaws, each notice of nomination should contain the following information: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each nominee been nominated, or intended to be nominated, by the Board; and (e) the consent of each nominee to serve as a director of the company if so elected. All the director nominees named in this Proxy Statement met the Board's criteria for membership and were recommended by the Nominating and Governance Committee for election by shareholders at the Annual Meeting.

The Nominating and Governance Committee considers shareholder recommendations of nominees for election to the Board if they comply with the foregoing bylaw requirements and are accompanied by a comprehensive written resume of the recommended nominee's business experience and background and a consent in writing signed by the recommended nominee that he or she is willing to be considered as a nominee and, if nominated and elected, he or she will serve as a director. Properly communicated shareholder recommendations will be considered in the same manner as recommendations received from other sources. Shareholders should send their written recommendations of nominees accompanied by the aforesaid documents to our principal executive offices addressed to: Cell Therapeutics, Inc., 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A. Attention: Secretary.

### **Communicating Concerns to Directors**

Shareholders who wish to communicate with our directors to report complaints or concerns related to accounting, internal accounting controls or auditing may do so using the Audit Committee procedures for the receipt of such communication. The procedures allow submitting the complaint or concern either online or telephonically, with a more detailed description of the procedures set forth in our Whistleblower Policy, which is available on our website at <http://www.celltherapeutics.com>.

Shareholders and other interested parties may communicate with the Board and the Chairman of the Board on other matters by writing to Dr. Nudelman, c/o Cell Therapeutics, Inc., Head of Legal Affairs, 3101 Western

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Avenue, Suite 600, Seattle, Washington 98121, U.S.A. The Head of Legal Affairs will perform a legal review in the normal discharge of his duties to ensure that communications forwarded to Dr. Nudelman are appropriate. Items that are unrelated to the duties and responsibilities of the Board such as mass mailings, junk mail, personal employee complaints not related to accounting, internal controls, auditing or officer conduct (which are reviewed and forwarded by the Head of Legal Affairs pursuant to the terms of our Whistleblower Policy), inquiries regarding clinical trials or our operations generally, job inquiries, surveys, business solicitations or advertisements will not be forwarded to Dr. Nudelman. In addition, material that is threatening or similarly unsuitable will not be forwarded to Dr. Nudelman. Any communication that is relevant to the conduct of our business and is not forwarded will be retained for one year and made available to Dr. Nudelman and any other independent director on request. The independent directors have granted the Head of Legal Affairs discretion to decide what correspondence shall be forwarded to Dr. Nudelman and what shall be shared with our management, in all cases with specific instructions that any personal employee complaints be forwarded as set forth in our Whistleblower Policy. If items are forwarded to Dr. Nudelman, he will decide in his own discretion whether to circulate them to other members of the Board.

**Non-Employee Director Compensation Table Fiscal 2012**

The following table presents information regarding the compensation paid for fiscal year 2012 to members of the Board who are not also our employees (the non-employee directors). The compensation paid to Dr. Bianco and Dr. Singer, who are also employed by us, for fiscal year 2012 is presented below in the Summary Compensation Table and the related explanatory tables. Dr. Bianco and Dr. Singer are generally not entitled to receive additional compensation for their services as directors.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)(3)(4)	Option Awards \$(3)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
John H. Bauer	137,500	243,323					380,823
Vartan Gregorian, Ph.D.	132,000	243,323					375,323
Richard L. Love	122,500	243,323					365,823
Mary O. Munding, DrPH	122,500	243,323					365,823
Phillip M. Nudelman, Ph.D.	178,750	339,984					518,734
Frederick W. Telling, Ph.D.(5)	152,500	243,323					395,823
Reed V. Tuckson, M.D.	95,750	243,323					339,073

- (1) The amounts reported in the Fees Earned or Paid in Cash column of the table above reflect the payment during 2012 of the director's retainer and meeting fees for 2012 and retainer fees for the first six months of 2013. The director is not entitled to any additional retainer fee for the first six months of 2013.
- (2) The amounts reported in the Stock Awards and Option Awards columns of the table above reflect the grant date fair value of the stock awards and option awards, respectively, granted to the non-employee directors during fiscal year 2012 as determined under generally accepted accounting principles used to calculate the value of equity awards for purposes of our financial statements. For a discussion of the assumptions and methodologies used to calculate the amounts reported above, please see the discussion of equity awards contained in Note 13 (Share-Based Compensation) to our Consolidated Financial Statements, included as part of our 2012 Annual Report.
- (3) The table below presents the number of outstanding and unexercised option awards and the number of shares subject to unvested stock awards held by each of our non-employee directors as of December 31, 2012. This table includes the 2012-2015 Performance Awards granted to each of the non-employee directors under our equity grant program and described in more detail under Non-Employee Director Compensation below. The table below reflects the aggregate number of shares that would be issued upon timely achievement of all of the performance goals based on the applicable payout percentages for these awards and the number of shares of our common stock issued and outstanding on December 31, 2012. The actual

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number of shares issued for each award upon timely achievement of the related performance goal may be different from the number reported in the table above depending on the number of shares of our common stock issued and outstanding at the time the goal is achieved.

Director	Number of Shares Subject to Outstanding Options as of 12/31/2012	Number of Unvested Restricted Shares/ Units as of 12/31/2012
John H. Bauer	3,179	319,587
Vartan Gregorian, Ph.D.	3,200	319,587
Richard L. Love	3,180	319,587
Mary O. Mundinger, DrPH	3,207	319,587
Phillip M. Nudelman, Ph.D.	3,214	479,381
Frederick W. Telling, Ph.D.	3,169	319,587
Reed V. Tuckson, M.D.	2,200	321,987

- (4) On December 3, 2012, each of the non-employee directors (other than Dr. Nudelman) was granted 71,429 fully-vested shares with a grant-date fair value of \$100,000, and Dr. Nudelman was granted 89,286 fully-vested shares with a grant-date fair value of \$125,000. Effective January 3, 2012, each of the non-employee directors was granted a 2012-2015 Performance Award under our equity grant program as described below under Non-Employee Director Compensation. The amounts reported in the Stock Awards column of the table above for each of the non-employee directors include a grant-date fair value of these performance awards of \$143,323 (or \$214,984 in the case of Dr. Nudelman's award) based on the probable outcome (as of the grant date) of the performance-based conditions applicable to the awards, as determined under generally accepted accounting principles. The aggregate grant-date fair value of these awards for each director assuming that the highest level of performance conditions will be achieved is \$971,020 (or \$1,459,290 in the case of Dr. Nudelman's award). See footnote (2) above for the assumptions used to value each of these awards granted to the non-employee directors in 2012.
- (5) For Dr. Telling, the Fees Earned or Paid in Cash column of the table above includes \$7,500 fees for his service on the board of directors of our majority-owned subsidiary Aequus. Dr. Telling did not receive any other compensation in 2012 for his services to Aequus. Dr. Telling holds 8,333 shares of Aequus common stock that were unvested as of December 31, 2012.

**Non-Employee Director Compensation**

*Equity Grants.* Under our Director Compensation Policy, our non-employee directors receive an equity award each year. Effective June 27, 2012, the Board amended the policy to provide that the level of these grants would be a fixed dollar amount (as opposed to a fixed number of shares). Under the amended policy, non-employee directors will receive stock awards as follows: (i) each new non-employee director will be granted an award of fully vested shares of our common stock in connection with joining the Board, with the number of shares to equal \$100,000 divided by the closing price of a share of our common stock on the date of grant of the award; and (ii) on an annual basis, each continuing non-employee director will be granted an award of fully vested shares of our common stock, with the number of shares to equal \$100,000 (\$125,000 in the case of a non-employee director who is then serving as the Chair of the Board) divided by the closing price of a share of our common stock on the date of grant of the award. Each grant will be rounded to the nearest whole share. In accordance with this policy, each non-employee director received a stock grant in December 2012 as described in note (4) to the table above. Our non-employee directors are also eligible to receive discretionary grants of equity awards under the 2007 Equity Plan from time to time.

As described in the 2012-2015 Performance Awards section of the Compensation Discussion and Analysis below, the Compensation Committee had previously granted equity awards in 2009 to each of the named executive officers that would vest if we achieved certain performance goals by December 31, 2011. At the same time, the Board approved grants of similar awards to each of the non-employee directors (other than

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Dr. Tuckson who was not on the Board at that time). The 2009 awards granted to the executives and directors expired on December 31, 2011 as the goals were not achieved. As described in the Compensation Discussion and Analysis below, the Compensation Committee approved the grants of the 2012-2015 Performance Awards to the named executive officers that will be payable in fully vested shares of our common stock if we achieve certain financial and operational performance goals by December 31, 2014. In March 2013, the Compensation Committee extended the performance period for these awards by one year to December 31, 2015 and made several changes to the performance goals applicable to the awards as described in the Compensation Discussion and Analysis. In connection with the expiration of the 2009 awards, the Board also approved the grant, effective January 3, 2012, to each non-employee director of a 2012-2015 Performance Award that will be payable in fully vested shares of our common stock upon the achievement of the performance goals identified for the named executive officers' awards in the Compensation Discussion and Analysis above, subject to the goal's achievement before December 31, 2014 and the director's continued service with us. In March 2013, the Board approved the same changes to the directors' performance awards as were made to the executives' awards described above. As with the awards granted to the executives, a portion of each non-employee director's 2012-2015 Performance Award was granted in the form of restricted stock. The number of shares that will be payable in respect of each award will be determined based on the applicable payout percentage assigned to that particular goal and the number of our issued and outstanding shares at the time the goal is achieved, subject to reduction on a share-for-share basis for any shares of restricted stock that vest in connection with the achievement of that particular goal and subject also to the applicable share limits of our equity incentive plan.

The award percentages corresponding to the various performance goals for each of the non-employee directors (as modified in March 2013) are set forth in the following table:

Name	Performance Goals and Applicable Award Percentages(1)							Market Cap Goal
	Pacritinib		Opaxio	\$50M	\$100M	Cash Flow Break Even	EPS Goal	
	Phase III	Pacritinib Approval	NDA Approval	Sales Goal	Sales Goal			
Phillip M. Nudelman, Ph.D.								