

CELL THERAPEUTICS INC
Form PRER14A
July 26, 2012
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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. 1)

Filed by the Registrant: x

Filed by a Party other than the Registrant: ..

Check the appropriate box:

x 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) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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July , 2012

Dear Shareholder:

You are cordially invited to attend the Cell Therapeutics, Inc. (the Company) Annual Meeting of Shareholders, which will be held at 10:00 a.m. Pacific Daylight Time (PDT), on Friday, August 31, 2012, at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A. For those of you unable to attend in person, the Company expects to webcast the meeting and make information concerning the webcast available on the Company s website at <http://www.celltherapeutics.com>

Information concerning the business to be conducted at this meeting is included in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement. The Proxy Statement is being mailed to the Company s U.S. shareholders. 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 the Company s subsidiary CTI Life Sciences Limited (contact person: Ms. Elena Bellacicca, 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 the Company s shares in their accounts;

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

the Company s website at <http://www.celltherapeutics.com/shareholders>.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the meeting, it is important that your shares be represented. Therefore, the Company urges its U.S. shareholders to sign, date and promptly return the enclosed proxy card in the enclosed postage paid envelope and urges its 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 the Company 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.

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

Friday, August 31, 2012

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 Friday, August 31, 2012 at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A., for the following purposes:

- (1) to elect directors to the Company s Board of Directors (Proposal 1);
 - (2) to approve an amendment to the Company s amended and restated articles of incorporation to increase the total number of authorized shares from 384,999,999 to 751,666,666 and the total number of authorized shares of common stock from 383,333,333 to 750,000,000 (Proposal 2);
 - (3) to approve an amendment to the Company s 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 15,000,000 shares (Proposal 3);
 - (4) to approve the shares issued to S*BIO Pte Ltd. in connection with, or to finance, the acquisition of assets of S*BIO Pte Ltd. and at the Company s option, to issue shares of common stock or shares of preferred stock in lieu of cash for up to 50% of the milestone payments pursuant to the asset purchase agreement entered into with S*BIO Pte Ltd. on April 18, 2012 (Proposal 4);
 - (5) to approve the issuance of shares of preferred stock and shares of common stock issuable upon conversion of the preferred stock, warrants and shares of common stock issuable upon the exercise of the warrants, and at the Company s option, the issuance of shares of common stock in lieu of cash upon exchange of such warrants issued to Socius CG II, Ltd. pursuant to the securities purchase agreement entered into in connection with the offering of Series 15 Convertible Preferred Stock on May 29, 2012 (Proposal 5);
 - (6) to ratify the selection of Marcum LLP as the Company s independent auditors for the year ending December 31, 2012 (Proposal 6);
 - (7) 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 6 (Proposal 7); and
 - (8) 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. As more fully described in the Proxy Statement accompanying this Notice, Proposal 1 describes the election of three Class III directors to the Company s Board of Directors, each to serve until the 2015 annual meeting of shareholders.

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, 5, 6 and 7.

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All shareholders are cordially invited to attend the Annual Meeting. Only shareholders of record at the close of business on July 20, 2012, the record date fixed by the Board of Directors of the Company, are entitled to vote at the Annual Meeting and all adjournments and postponements thereof. A complete list of shareholders entitled

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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 the secretary of the Company 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:

the office of the Italian branch of the Company's subsidiary CTI Life Sciences Limited (contact person: Ms. Elena Bellacicca, 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 the Company's shares in their accounts;

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

the Company's website at <http://www.celltherapeutics.com/shareholders>.

The Proxy Statement will be available for the Company's Italian shareholders at least twenty (20) days before the Annual Meeting date of August 31, 2012.

Whether or not you intend to be present at the Annual Meeting, U.S. shareholders are requested to sign and date the enclosed proxy card and return it in the enclosed envelope, and Italian shareholders are requested to request, sign, date and return an Italian proxy card, together with a completed certification of participation in the Italian Central Depository System. If you are one of the Company's 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 the Company 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

July , 2012

YOUR VOTE IS IMPORTANT. ACCORDINGLY, YOU ARE URGED TO SIGN, DATE AND RETURN PROMPTLY THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU ARE ONE OF THE COMPANY'S SHAREHOLDERS IN ITALY, PLEASE REMEMBER TO PRINT AN ITALIAN PROXY CARD FROM THE COMPANY'S 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 2 FOR MORE INFORMATION ON ITALIAN VOTING PROCEDURES).

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**Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting, Which Will Be Held on Friday, August 31, 2012:**

This Notice and the Proxy Statement are available on the Company's website at

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

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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 the Company's Annual Meeting of Shareholders (the Annual Meeting or shareholder meeting), which will be held at 10:00 a.m. Pacific Daylight Time (PDT), on Friday, August 31, 2012, 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 directors to the Company's Board (Proposal 1);
- (2) to approve an amendment to the Company's amended and restated articles of incorporation to increase the total number of authorized shares from 384,999,999 to 751,666,666 and the total number of authorized shares of common stock from 383,333,333 to 750,000,000 (Proposal 2);
- (3) to approve an amendment to the Company's 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 15,000,000 shares (Proposal 3);
- (4) to approve the shares issued to S*BIO Pte Ltd. (S*BIO) in connection with, or to finance, the acquisition of assets of S*BIO and at the Company's option, to issue shares of common stock or shares of preferred stock in lieu of cash for up to 50% of the milestone payments pursuant to the asset purchase agreement entered into with S*BIO on April 18, 2012 (Proposal 4);
- (5) to approve the issuance of shares of preferred stock and shares of common stock issuable upon conversion of the preferred stock, warrants and shares of common stock issuable upon the exercise of the warrants, and at the Company's option, the issuance of shares of common stock in lieu of cash upon exchange of such warrants issued to Socius CG II, Ltd. (Socius), pursuant to the securities purchase agreement entered into in connection with the offering of Series 15 Convertible Preferred Stock on May 29, 2012 (Proposal 5);

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- (6) to ratify the selection of Marcum LLP as the Company's independent auditors for the year ending December 31, 2012 (Proposal 6);

- (7) 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 6 (Proposal 7 and together with Proposals 1 through 6, the Proposals); and

- (8) to transact such other business as may properly come before the Annual Meeting and all adjournments and postponements thereof. As more fully described in this Proxy Statement, Proposal 1 describes the election of three Class III directors to the Board, each to serve until the 2015 annual meeting of shareholders.

Shareholder approval of Proposals 1, 2, 3, 4 and 5 are required by statutes or regulations applicable to the Company based on its listing on The NASDAQ Stock Market LLC (NASDAQ) and its incorporation in the State of Washington.

This Proxy Statement and the accompanying proxy card are being first mailed to shareholders on or about July 30, 2012.

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Pursuant to the Business Corporation Act of Washington, the Board may unilaterally determine that it is in the best interests of the shareholders and the Company to effectuate a reverse stock split. If the Company does not have any shares of preferred stock outstanding, the Company is not required to seek shareholder approval of such action before effectuating a reverse stock split. The primary objective of a reverse stock split, if undertaken, would be an anticipated increase of the per share trading price of the Company's common stock, which may enable the Company to satisfy the listing requirements of the Company's common stock under the NASDAQ Listing Rules and facilitate higher levels of institutional stock ownership, as investment policies of many institutional investors require minimum securities price points. On June 29, 2012, the Company received a notice from NASDAQ stating that, based on the closing bid price of the Company's common stock for the thirty (30) consecutive business days preceding such date, the Company no longer met the minimum \$1.00 per share requirement for continued listing on The NASDAQ Capital Market. In accordance with NASDAQ Listing Rule 5810(c)(3)(A), the Company was provided a grace period of one hundred eighty (180) calendar days, or until December 26, 2012, to regain compliance. The Company may achieve compliance during the 180-day period if the closing bid price of the Company's common stock is at least \$1.00 per share for a minimum of ten (10) consecutive trading days before December 26, 2012. The Company may be eligible for an additional grace period if it meets the initial listing standards, with the exception of bid price, for The NASDAQ Capital Market. If the Company meets the initial listing criteria, it may be granted an additional 180 calendar day compliance period.

As of the date of this proxy statement, the closing bid price of the Company's common stock for the last thirty (30) days has been below \$1.00 per share. If the Company is unable to attain compliance with the minimum bid price requirement, whether by effectuating a reverse stock split of the Company's common stock or otherwise, the Company's common stock may be delisted from The NASDAQ Capital Market. To address the Company's non-compliance with the minimum bid price requirement, the Board may determine in its discretion that the Company should complete a reverse stock split, which may be implemented prior to December 26, 2012 (the "Reverse Stock Split"). If the Board approves the Reverse Stock Split, then the amount of shares referenced in Proposals 2, 3, 4 and 5 will be reduced in proportion to the ratio of the Reverse Stock Split. In such event, proportionate adjustments would also be made to the Company's outstanding equity awards, as well as the number of shares of Company common stock available for award grants under the 2007 Equity Plan. There can be no assurance that the Reverse Stock Split will have the intended effect or that any increase in the trading price of the Company's common stock will be proportional to the decrease in the number of outstanding shares.

The Company currently expects that if the Reverse Stock Split is implemented, it will have a ratio of between one-for-three and one-for-five. However, the Board may approve the Reverse Stock Split with a ratio above or below that range. The Board's decision as to whether to approve the Reverse Stock Split and its determination as to the ratio of any Reverse Stock Split will be based on a number of factors, including prevailing market conditions, existing and expected trading prices for the Company's common stock, actual or forecasted results of operations and the likely effect of such results on the market price of the Company's common stock. If the Company implements a one-for-three Reverse Stock Split, then on the effective date of the Reverse Stock Split (the "Effective Date"), each shareholder will receive one new share of the Company's common stock in exchange for every three shares of the Company's common stock such shareholder holds. If the Company implements a one-for-four Reverse Stock Split, then on the Effective Date, each shareholder will receive one new share of the Company's common stock in exchange for every four shares of the Company's common stock such shareholder holds. If the Company implements a one-for-five Reverse Stock Split, then on the Effective Date, each shareholder will receive one new share of the Company's common stock in exchange for every five shares of the Company's common stock such shareholder holds. The Reverse Stock Split would affect all outstanding and authorized shares of the Company's common stock as well as the number of shares of common stock underlying stock options and other exercisable or convertible instruments outstanding on the Effective Date. No certificates for fractional shares of the Company's common stock would be issued in the Reverse Stock Split, but in lieu thereof, each holder of the Company's common stock who would otherwise have been entitled to a fraction of a share of the Company's common stock will be paid cash equal to such fraction times the closing price of the Company's common stock as reported on The NASDAQ Capital Market on the trading day immediately preceding the Effective Date.

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Except as otherwise expressly noted herein, references to a number of shares of the Company's common stock throughout this proxy statement do not give effect to the Reverse Stock Split described above.

Important Information for the Company's Shareholders in Italy about Voting Procedures

If you hold shares of the Company's common stock as a result of a merger with Novuspharma S.p.A. or if you acquired shares of the Company's 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 the Company's common stock through Monte Titoli are referred to as the Company's shareholders in Italy or the Company's Italian shareholders. Monte Titoli, in turn, holds these shares of the Company's 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 the Company 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 Italian shareholders that vote at the Annual Meeting so that the Company 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, the Company has requested that certain Italian banks, in the absence of the shareholder's instructions to the contrary, make book-entry transfers of the Company's 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 the Company's shareholders in Italy, which may be obtained from the Company's website at <http://www.celltherapeutics.com>. The Company's 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 the Company's Italian shareholders from any of the following places:

the office of the Italian branch of the Company's subsidiary CTI Life Sciences Limited (contact person: Ms. Elena Bellacicca, 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 the Company's shares in their accounts;

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

the Company's website at <http://www.celltherapeutics.com/shareholders>.

This Proxy Statement will be available for the Company's Italian shareholders at least twenty (20) days before the Annual Meeting date of August 31, 2012. All of the Company's shareholders, including the

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Company's Italian shareholders, are cordially invited to attend the Annual Meeting. If you hold shares of the Company's 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.

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 the Company's website at <http://www.celltherapeutics.com/shareholders> 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 the Company 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 the Company's 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 the Company's second amended and restated bylaws (the "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 the Company's inspector of election at the Annual Meeting in order to verify the authenticity of your proxy designation.

The Company strongly encourages its 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 the Company's shares are held by persons in Italy. If the Company's Italian shareholders do not take the time to vote, then the Company will not be able to obtain a quorum, in which case the Company 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.

The Company's Italian shareholders who are registered directly with the Company 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 the Company 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 the Company for the purposes of receiving shareholder information directly for future meetings, please contact your bank for more information on the

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procedures required for such registration, which would include, among other things, the submission of a registration request (together with a Certification) to the Company's 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 the Company's shareholder books may require you to take additional steps if and when you decide to dispose of your shares.

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 the Company. In addition to solicitation by mail, the Company's 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. The Company has 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 the Company's books at the close of business on July 20, 2012 (the record date) will be entitled to notice of, and to vote at, the Annual Meeting. Each holder of record of the Company's 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 258,196,962 shares of common stock. As of the close of business on the record date, the Company does 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, the Company will need at least 86,065,654 shares of the Company's common stock present in person, by telephone or by proxy at the Annual Meeting for Quorum Standard 1 to be established. However, the Company 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 180,016,998 shares of the Company's 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, 90,008,499 of the shares of the Company's 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 the Company's common stock are eligible to vote for the Proposals, except that votes by Socius will not be counted in determining if a majority of the total votes cast on Proposals 4 and 5, voting in person or by proxy, have approved Proposals 4 or 5. 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.

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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 the Company's 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 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 the Company's 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 shareholder 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. The Company 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 III nominees for director seats who receive the most votes cast at the shareholder 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 the Company's 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. Proposal 2 is considered to be a routine matter 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 Proposal 2, brokers will be permitted to exercise their discretionary authority to vote for such proposals.

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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, 5, 6 and 7. Abstentions will not be counted as votes cast against Proposals 3, 4, 5, 6 and 7 and will have no effect on the outcome of Proposals 3, 4, 5, 6 and 7 because approval is based on the number of votes *actually cast*.

Votes by Socius will not be counted in determining if a majority of the total votes cast on Proposals 4 and 5, voting in person or by proxy have approved Proposals 4 or 5. According to the Schedule 13G/A filed on June 6, 2012 by Socius, Socius beneficially owned 25,000,000 shares of common stock, which included 20,000,000 shares of common stock and warrants to purchase 13,333,332 shares of common stock. Pursuant to the terms of such warrants, Socius may not exercise or exchange its warrants to the extent that the exercise or exchange, as applicable, would result in Socius and its affiliates beneficially owning more than 9.9% of our common stock.

Because the vote under Proposals 3, 4 and 5 are 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 Proposals 3, 4 and 5, brokers will not be permitted to exercise their voting authority and uninstructed shares will constitute broker non-votes. Proposals 6 and 7 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 6 or 7, brokers will be permitted to exercise their discretionary authority to vote for such proposals. Broker non-votes for Proposals 3, 4 and 5 will have no effect on the outcome of Proposals 3, 4 and 5 because approval is based on the number of votes *actually cast*.

Voting Electronically or by Telephone

If your shares are registered in the name of a bank or brokerage firm in the United States, you may be eligible to vote your shares electronically over the internet or by telephone. A large number of banks and brokerage firms are participating in the Broadridge Investor Communication Solutions (Broadridge) online program. This program provides eligible shareholders who receive a paper copy of this Proxy Statement the opportunity to vote via the internet or by telephone. If your bank or brokerage firm is participating in Broadridge s program, your voting form will provide instructions. If your voting form does not reference internet or telephone information, please complete and return the paper proxy card in the self-addressed postage paid envelope provided.

In addition, if your shares are registered in your name, you may vote your shares electronically over the internet or by telephone as provided on your voting form.

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 the Company s secretary, Louis A. Bianco, at the Company s 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 the Company s 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 the Company s merger with Novuspharma, S.p.A., the Company entered into an agreement with Monte Titoli in order to ensure that persons receiving beneficial interests in shares of the Company s 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).

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PROPOSAL 1

ELECTION OF DIRECTORS

Summary

The Company's amended and restated articles of incorporation and the 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 the 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, the 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, the Company's 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 2013 annual meeting of shareholders. 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 Annual Meeting.

Nominees for Election as Directors

Mr. Love, Dr. Munding and Dr. Singer have been nominated by the Board for election at the Annual Meeting as Class III directors for three year terms expiring at the 2015 annual meeting of shareholders.

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

Each nominee has agreed to serve if elected and the Company has 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 the Company 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 III 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 the Company's 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 June 29, 2012 for each nominee for director and each person whose term of office as a director will continue after the shareholder meeting.

Name	Age	Director Since	Class	Term Expiration
John H. Bauer(3)	71	2005	I	2013 Annual Meeting
James A. Bianco, M.D.	55	1991	II	2014 Annual Meeting
Vartan Gregorian, Ph.D.(3)(4)	78	2001	II	2014 Annual Meeting
Richard L. Love(2)(4)	68	2007	III	2012 Annual Meeting
Mary O. Munding, DrPH(2)(4)	75	1997	III	2012 Annual Meeting
Phillip M. Nudelman, Ph.D.(1)(2)(3)(4)	76	1994	I	2013 Annual Meeting
Jack W. Singer, M.D.	69	1991	III	2012 Annual Meeting
Frederick W. Telling, Ph.D.(2)(3)	60	2006	II	2014 Annual Meeting
Reed V. Tuckson, M.D.	61	2011	I	2013 Annual Meeting

- (1) Chairman of the Board of Directors.
- (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 2015 Annual Meeting Class III Directors

Mr. Love has been one of the Company's directors since September 2007. Mr. Love is presently a manager of Translational Accelerators, LLC. Mr. Love is also a director of Applied Microarrays Inc., Ascalon, PAREXEL International, SalutarisMD Inc., was previously a director of ImaRx Therapeutics Inc., and, prior to its acquisition by the Company in July 2007, served as chairman of the board 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 from 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.

Dr. Munding has been one of the Company's 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. Munding was appointed the Edward M. Kennedy Professor in Health Policy and Dean Emeritus at the Columbia University School of Nursing. Dr. Munding 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. Munding received her doctorate in public health from Columbia's School of Public Health.

Dr. Singer is one of the Company's founders and directors and currently serves as the Company's Executive Vice President, Global Medical Affairs and Translational Medicine. Dr. Singer has been one of the Company's directors since its inception in September 1991. From January 2004 to June 2012, Dr. Singer was the Company's Executive Vice President, Chief Medical Officer. From July 1995 to January 2004, Dr. Singer was the Company's Executive Vice President, Research Program Chairman and from April 1992 to July 1995, he served as the Company's Executive Vice President, Research and Development. Prior to joining the Company,

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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.

Directors Continuing in Office Until the 2013 Annual Meeting Class I Directors

Mr. Bauer has been one of the Company's 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 the Company's 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 Kaiser/Group Health, retiring in 2000 as Chief Executive Officer Emeritus. 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 also currently serves on the board of directors of OptiStor Technologies, Inc., or OptiStor, and Zynchros, 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 currently serves as 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 the Company's directors since September 2011. Dr. Tuckson is the Executive Vice President and Chief of Medical Affairs of UnitedHealth Group and has served in that capacity since December 2006. Prior to his position at UnitedHealth Group, from January 2006 to December 2006, Dr. Tuckson served as Senior Vice President, Professional Standards, for the American Medical Association. He has also served as 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, the National Patient Advocate Foundation, Project Sunshine, and the Arnold P. Gold Foundation and on 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 the Company's principal founder and serves as the Company's President and Chief Executive Officer and director. Dr. Bianco served as the Company's Chief Executive Officer and director from July 2008 to July 25, 2012 and as the Company's President and Chief Executive Officer and director from February 1992 to July 2008. Prior to founding the Company, 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. 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, the Company's Executive Vice President, Finance and Administration.

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Dr. Gregorian has been one of the Company's 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 the Company's directors since December 2006. Prior to his retirement in 2007, Dr. Telling was a corporate officer of Pfizer (since 1994), most recently as Vice President of Corporate Policy and Strategic Management. He joined Pfizer in 1977 and was responsible for strategic planning and policy development throughout the majority of his career. He currently serves on the board of directors of Eisai N.A., Oragenics, Inc. and Aequus Biopharma, Inc., or Aequus, a subsidiary of the Company. Dr. Telling is also a member of the Committee for Economic Development, IBM's Healthcare & Life Sciences Advisory Council, the EAA, and the United Hospital Fund and is a Board member emeritus at ORBIS and the Smithsonian National Air and Space Museum. 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.

Board of Directors and Committee Meetings

The Board held seventeen meetings during the year ended December 31, 2011, including three meetings of the independent directors. Each of the directors serving on the Board in 2011 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. The Company's policy is to encourage attendance at the Annual Meeting. Three of the directors in office at the time of the Company's 2011 annual meeting of shareholders were in attendance at the Company's 2011 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 the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Audit Committee assists the Board in oversight and monitoring of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications, independence and performance, (iv) the Company's internal audit function and (v) the Company's 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 the Company's 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 six meetings during the year ended December 31, 2011. 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, as amended (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 the Company's 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 compensation plans, policies and programs of the Company as they affect such officers. The Compensation Committee also administers the Company's equity compensation plans and reviews and approves the Company's compensation disclosure and analysis included in the Company's annual report and proxy statement. The Compensation Committee held eleven meetings during the year ended December 31, 2011. 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 the Company's website at <http://www.celltherapeutics.com>.

Nominating and Governance Committee

The Company believes that its Board as a whole should encompass a range of talent, skill, diversity, and expertise enabling it to provide sound guidance with respect to the Company's 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 the Company's business. The Company's policy is to have at least a majority of directors qualify as independent under the NASDAQ Listing Rules and the Company's Corporate Governance Guidelines, which are available at the Company's 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 the Company and its shareholders and so that the Company has and follows appropriate governance standards. The Nominating and Governance Committee is responsible for overseeing the evaluation of the Board and the Company's 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 the Company's business, particularly industries and growth segments that the Company serves, 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 the Company's 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 the Company's corporate governance. Although the Company does not have a policy regarding diversity, the Nominating and Governance Committee seeks a broad range of perspectives and considers both the personal

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characteristics (gender, ethnicity, age) and experience (industry, professional, public service) of directors and prospective nominees to the Board. The Nominating and Governance Committee held four meetings during the year ended December 31, 2011. The Nominating and Governance Committee currently consists of four non-employee directors: Dr. Mundinger (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 the Company's 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, our 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 our 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 serves on the board of directors of OptiStor and was granted stock options of OptiStor when he joined the board of directors in 2002. However, Dr. Nudelman is not a controlling shareholder or employee of OptiStor.

Dr. Nudelman's son, Mark Nudelman, serves as the President and Chief Executive Officer of the Hope Heart Institute. We made a charitable donation to the Hope Heart Institute in 2011; 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. Mundinger, 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 Chief Executive Officer and Executive Vice President, Global Medical Affairs and Translational Medicine, respectively.

Other than as described above, in 2011, 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.

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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 the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. Pursuant to the Bylaws, the Board in its discretion may elect a Chairman from among its members. The Board has determined that having an independent director serve as Chairman of the Board is in the best interest of the Company at this time. Dr. Nudelman has served as our 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 the oversight of the Company 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 the Company's 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 the Company's 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 the 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 the Company faces, (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 Company's risk profile, and (4) integrate risk management into Company 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 the Company's 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 the Company's credit, liquidity, and operations, as well as the risks associated with each, and annually reviews the Company's risk management program as a whole. Also, the Compensation Committee periodically reviews the Company's 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 the Company's corporate strategy and day-to-day business operations. The Board also continually works, with the input of the Company's executive officers, to assess and analyze the most likely areas of future risk for the Company.

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Code of Ethics

The Company has adopted a code of ethics for its senior executive and financial officers (including its 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 the Company's website at http://www.celltherapeutics.com/officers_and_directors. 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 the Company's code of ethics will be posted on its website, at <http://www.celltherapeutics.com>.

Corporate Governance Guidelines

The Company has adopted Corporate Governance Guidelines, which are available on the Company's website at http://www.celltherapeutics.com/officers_and_directors. Shareholders may request a free copy of the Corporate Governance Guidelines at the address and phone numbers set forth above.

Shareholder Proposals

A shareholder may recommend a person as a slate nominee for director by writing to the secretary of the Company. Director nominations and/or shareholder proposals pursuant to Rule 14a-8 of the Exchange Act intended for inclusion in the proxy statement related to the next annual meeting of shareholders should be sent to the secretary of the Company at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A. and must be received by April 1, 2013. Under the Bylaws, notice of any other shareholder proposal or the nomination of a candidate for election as a director to be made at the 2013 annual meeting of shareholders (whether or not included in the proxy statement) must be received by June 2, 2013 and must comply with the Bylaws. If a shareholder gives notice of such proposal after such date, the Company's 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 the Company's 2013 annual meeting. If the Company changes the date of its 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 the Company begins to print and send its proxy materials.

As set forth in the 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 this shareholder 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

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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 the principal executive offices of the Company 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 the Company's 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 the Company's Whistleblower Policy which is available on the Company's 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 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 the Company's Whistleblower Policy), inquiries regarding clinical trials or the Company's 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 the Company's 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 the Company's management, in all cases with specific instructions that any personal employee complaints be forwarded as set forth in the Company's 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

The following table presents information regarding the compensation paid for fiscal year 2011 to members of the Board who are not also employees of the Company (the non-employee directors). The compensation paid to Dr. Bianco and Dr. Singer, who are also employed by the Company, for fiscal year 2011 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 (\$)	Stock Awards (\$)(1)(2)(3)	Option Awards (\$)(1)(2)(3)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
John H. Bauer	107,500	258,777	4,397				370,474
Vartan Gregorian, Ph.D.	99,750	258,777	4,397				362,724
Richard L. Love	100,250	258,777	4,397				363,224
Mary O. Munding, DrPH	97,500	258,777	4,397				360,474
Phillip M. Nudelman, Ph.D.	146,500	358,778	4,397				509,675
Frederick W. Telling, Ph.D.(4)	118,750	271,577	4,397			2,500	397,224
Reed V. Tuckson, M.D.(5)	5,500	221,842	8,929				236,271

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- (1) The amounts reported in the *Stock Awards* and *Option Awards* columns of the table above reflect the fair value on the grant date of the stock awards and option awards, respectively, granted to the Company's non-employee directors during fiscal year 2011 as determined under generally accepted accounting principles used to calculate the value of equity awards for purposes of the Company's 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 14 (Share-Based Compensation) to the Company's Consolidated Financial Statements, included as part of the Company's Annual Report on Form 10-K as filed with the SEC on March 8, 2012.
- (2) The table below presents the number of shares subject to outstanding and unexercised option awards and the number of shares subject to unvested stock awards held by each of the Company's non-employee directors as of December 31, 2011.

Director	Number of Shares Subject to Outstanding Options as of 12/31/2011	Number of Unvested Restricted Shares/Units as of 12/31/2011
John H. Bauer	15,899	13,749
Vartan Gregorian, Ph.D.	16,022	13,749
Richard L. Love	15,900	13,749
Mary O. Mundinger, DrPH	16,059	13,749
Phillip M. Nudelman, Ph.D.	16,096	13,749
Frederick W. Telling, Ph.D.	15,849	13,749
Reed V. Tuckson, M.D.	11,000	21,333

- (3) On March 21, 2011, each of the non-employee directors (other than Dr. Tuckson) received a grant of 20,833 restricted shares, with a grant-date fair value of \$54,375. In connection with his appointment to the Company's board of directors, Dr. Tuckson was granted on September 22, 2011, an award of 18,000 restricted shares, with a grant-date fair value of \$17,640, and an option to purchase 6,000 shares, with a grant-date fair value of \$4,532. On November 11, 2011, each of the non-employee directors was granted an award of 3,333 restricted shares and an option to purchase 5,000 shares pursuant to the Company's non-employee director compensation program described below. Each of these restricted stock awards had a grant-date fair value of \$3,800, and each of these options had a grant-date fair value of \$4,397. On November 29, 2011, each of the non-employee directors (other than Dr. Nudelman) was granted 187,292 fully-vested shares with a grant-date fair value of \$200,402, and Dr. Nudelman was granted 280,938 fully-vested shares with a grant-date fair value of \$300,604. See footnote (1) above for the assumptions used to value each of these awards granted to the non-employee directors in 2011.
- (4) For Dr. Telling, the *Fees Earned or Paid in Cash* column of the table above includes \$2,500 fees for his service on the board of directors of Aequus; the *Stock Awards* column includes \$13,000, which represents the grant date fair value (as determined under generally accepted accounting principles) of an award of 100,000 restricted shares of Aequus granted to him in February 2011; and the amount in the *All Other Compensation* column represents a payment by Aequus as partial reimbursement of his tax obligations in connection with this award. Of the 100,000 restricted shares of Aequus granted to Dr. Telling, 58,333 shares were unvested as of December 31, 2011. Dr. Telling did not receive any other compensation in 2011 for his services to Aequus.
- (5) Dr. Tuckson was appointed to the Company's board of directors, effective September 22, 2011.

Non-Employee Director Compensation

Equity Grants. Under the Company's Director Compensation Policy in effect during 2011, the Company's non-employee directors received equity compensation as follows: (i) each new non-employee director was granted 18,000 shares of restricted stock and options to purchase 6,000 shares of the Company's common stock upon joining the Board, each such grant to vest over three years in substantially equal annual installments,

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subject to the non-employee director's continued service to the Company through the applicable vesting date; and (ii) on the date of the 2011 annual meeting of shareholders, each continuing non-employee director was granted an award of 3,333 shares of restricted stock and an option to purchase 5,000 shares of the Company's common stock, each such grant to vest in full upon the earlier of (x) the one-year anniversary of the date of grant, and (y) the date immediately preceding the date of the 2012 annual meeting of shareholders, subject to the non-employee director's continued service to the Company through the vesting date. The Company's 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 2012-2014 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 the Company achieved certain performance goals by December 31, 2011. At the same time, our board of directors approved grants of similar awards to each of the non-employee directors (other than Dr. Tuckson who was not on our board of directors 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 2012-2014 Performance Awards to the named executive officers that will be payable in fully vested shares of Company common stock if the Company achieves certain financial and operational performance goals by December 31, 2014. In connection with the expiration of the 2009 awards, our board of directors also approved the grant, effective January 3, 2012, to each non-employee director of a 2012-2014 Performance Award that will be payable in fully vested shares of the Company's common stock upon the achievement of the performance goals identified for the named executive officers' awards in the Compensation Discussion and Analysis below, subject to the goals being achieved before December 31, 2014 and the director's continued service with the Company. As with the awards granted to the executives, a portion of each non-employee director's 2012-2014 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 the Company's 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 the Company's equity incentive plan.

The award percentages corresponding to the various performance goals for each of the non-employee directors are set forth in the following table:

Name	Performance Goals and Applicable Award Percentages							
	Pix MAA Approval	Pix NDA Approval	Opaxio NDA Approval	Market Cap Goal	\$50M Sales Goal	\$100M Sales Goal	Cash Flow Break Even	EPS Goal
Phillip M. Nudelman, Ph.D.	0.068%	0.113%	0.013%	0.1125%	0.045%	0.09%		