

CELL THERAPEUTICS INC  
Form PRE 14A  
November 30, 2007  
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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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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(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:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**T 206.282.7100 F 206.284.6206**

December [•], 2007

Dear Shareholder:

You are cordially invited to attend the Cell Therapeutics, Inc. ( CTI ) Special Meeting of Shareholders, to be held at 501 Elliott Avenue West, Suite 400, Seattle WA 98119 on Monday, January 28, 2008, at 10:00 A.M. Pacific Standard Time (PST).

Information concerning the business to be conducted at the meeting is included in the accompanying Notice of Special Meeting of Shareholders and Proxy Statement. We are holding a Special Meeting to vote on a single proposal to increase the number of authorized shares of our common stock, which proposed action includes amending and restating our articles of incorporation, as outlined in the accompanying proxy statement. A copy of the proxy statement is being mailed to our U.S. shareholders; if you are an Italian shareholder, you may obtain a copy of the proxy statement from any of the following places:

the office of the Borsa Italiana S.p.A.;

our Italian office located at Via Ariosto, 23, 20091 Bresso (MI)-Italy, Attn: Finance Director;

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

the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov); or

our website at [www.cticseattle.com](http://www.cticseattle.com).

The proxy statement will be available for our Italian shareholders at least twenty (20) days before the meeting date of January 28, 2008.

**YOUR VOTE IS VERY IMPORTANT.** Whether or not you plan to attend the meeting, it is important that your shares be represented. Therefore, we urge our U.S. shareholders to sign, date and promptly return the enclosed proxy in the enclosed postage paid envelope, and we urge our Italian shareholders to request and return an Italian proxy card together with a completed certificate of participation. 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 interest in CTI.

Sincerely,

James A. Bianco, M.D.

President & Chief Executive Officer

Shareholder

**Cell Therapeutics, Inc. 501 Elliott Avenue West Suite 400, Seattle, WA 98119**

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**CELL THERAPEUTICS, INC.**

**Notice of Special Meeting of Shareholders**

**Monday, January 28, 2008**

To Our Shareholders:

The Special Meeting of Shareholders of Cell Therapeutics, Inc. (the Company) will be held at 501 Elliott Avenue West, Suite 400, Seattle, WA 98119 on Monday, January 28, 2008, at 10:00 A.M. Pacific Standard Time (PST), for the following purposes:

- 1) To approve an amendment to our amended and restated articles of incorporation to increase the number of authorized shares from 110,000,000 to 210,000,000 and to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000, including amending and restating our articles of incorporation;

2) To transact such other business as may properly come before the meeting, and all adjournments and postponements thereof. All shareholders are invited to attend the meeting. Shareholders of record at the close of business on December 12, 2007, the record date fixed by the board of directors, are entitled to vote at the meeting and all adjournments and postponements thereof. A complete list of shareholders entitled to notice of, and to vote at, the meeting will be open to examination by the shareholders beginning ten days prior to the meeting for any purpose germane to the meeting during normal business hours at the office of the Secretary of the Company at 501 Elliott Avenue West, Suite 400, Seattle, Washington 98119.

Copies of the enclosed proxy statement may be obtained by our Italian shareholders from any of the following places:

the office of the Borsa Italiana S.p.A.;

our Italian office located at Via Ariosto, 23, 20091 Bresso (MI)-Italy, Attn: Finance Director;

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

the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov); or

our website at [www.cticseattle.com](http://www.cticseattle.com).

The proxy statement will be available for our Italian shareholders at least twenty (20) days before the meeting date of January 28, 2008.

Whether or not you intend to be present at the meeting, U.S. shareholders are requested to sign and date the enclosed proxy and return it in the enclosed envelope, and Italian shareholders are requested to request and return an Italian proxy card together with a completed certificate of participation. 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.

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By Order of the Board of Directors

Louis A. Bianco  
Executive Vice President, Finance & Administration

Seattle, Washington

December , 2007

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**YOUR VOTE IS IMPORTANT. ACCORDINGLY, YOU ARE URGED TO SIGN, DATE AND RETURN PROMPTLY THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU ARE ONE OF OUR SHAREHOLDERS IN ITALY, PLEASE REMEMBER TO PRINT AN ITALIAN PROXY CARD FROM OUR WEBSITE, REQUEST A CERTIFICATION OF PARTICIPATION IN THE CENTRAL DEPOSITORY SYSTEM FROM YOUR BROKER AND INCLUDE THE PROXY CARD AND CERTIFICATION IN THE SAME ENVELOPE OR TELECOPY THEM TOGETHER TO THE FAX NUMBER SHOWN ON THE PROXY CARD**

(see page 1 for more information on Italian voting procedures).

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**PROPOSAL 1**

**APPROVAL OF AN AMENDMENT TO OUR ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF  
AUTHORIZED SHARES**

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**CELL THERAPEUTICS, INC.**

**501 Elliott Avenue West, Suite 400**

**Seattle, WA 98119**

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**PROXY STATEMENT**

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**Information Regarding Proxies**

**General**

This Proxy Statement and the accompanying form of proxy are furnished in connection with the solicitation of proxies by the board of directors of Cell Therapeutics, Inc. for use at our Special Meeting of Shareholders (the "Special Meeting"), to be held at 501 Elliott Avenue West, Suite 400, Seattle, WA 98119 on Monday, January 28, 2008, at 10:00 A.M. Pacific Standard Time (PST), and at any adjournment or postponement thereof.

Only shareholders of record on our books at the close of business on December 12, 2007, which we will refer to as the record date, will be entitled to notice of, and to vote at, the Special Meeting.

At the Special Meeting, shareholders will be asked to:

- (1) approve an amendment to our amended and restated articles of incorporation to increase the number of authorized shares from 110,000,000 to 210,000,000 and to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000 ( " Proposal 1 ");

This proxy statement and the accompanying proxy card are being first mailed to shareholders on or about December 10, 2007.

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

If you hold our shares as a result of a merger with Novuspharma S.p.A. or if you acquired our stock on the MTAX, you hold shares of our common stock indirectly through the facilities of the Italian clearing agency, called 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). We refer to persons holding our stock through Monte Titoli as our shareholders in Italy or our Italian Shareholders. Monte Titoli, in turn, holds these shares of our common stock through the U.S. clearing agency, called the Depository Trust Company, or 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 in the Italian Central Depository System issued pursuant to Italian law (Article 85(4) of Legislative Decree no. 58/1998).

In order to increase the number of shares owned by Italian shareholders that vote at the Special Meeting so that we can achieve a quorum and take action at the Special Meeting, certain Italian banks have agreed subject to the shareholder's contrary instructions thereto to make book entry transfer of their share positions at Monte Titoli to their U.S. correspondent banks, which will transfer the shares to an account of the Italian bank at a U.S. affiliate broker-dealer on the record date. This will permit such broker-dealers under the securities laws of the United States and the rules of the New York Stock Exchange to vote these shares at the Special Meeting in the event that the Italian shareholders do not instruct 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 Internet site at [www.cticseattle.com](http://www.cticseattle.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 Special Meeting and





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your shares are held through an Italian bank participating in this transfer procedure, your shares will be voted by the U.S. broker pursuant to the discretionary authority granted them under Rule 452 of the New York Stock Exchange. 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 Borsa Italiana S.p.A.;

our Italian office located at Via Ariosto, 23, 20091 Bresso (MI)-Italy, Attn: Finance Director;

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

the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov); or

our website at [www.cticseattle.com](http://www.cticseattle.com).

The proxy statement will be available for our Italian shareholders at least twenty (20) days before the meeting date of January 28, 2008.

All of our shareholders, including our Italian shareholders, are cordially invited to attend our Special Meeting. If you hold our stock in Italy through Monte Titoli, your broker is required by Italian law to provide you with a Certification of Participation in the Italian Central Depository System, which we refer to as your Certification.

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

In person. You may attend our Special Meeting and vote in person; to do so, please present your Certification at the door, together with proof of your identity.

By mail or fax. You may print an Italian proxy card from our Internet site at [www.cticseattle.com](http://www.cticseattle.com) and use that proxy card to vote by mail or telefax. 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 fax to the fax 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.

By proxy. You may name another person as a substitute proxy by any means permitted by Washington law and our bylaws. That substitute proxy may then attend the meeting, however, he or she must provide, at the meeting, your Certification or a complete copy thereof, together with your written authorization naming such person as your proxy, to our inspector of elections 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, alternatively, send by fax to the fax 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, we will not be able to obtain a quorum, in which case we would be unable to conduct any business at the Special Meeting. **Your vote is important. Please obtain an Italian proxy card and a Certification and vote today.**

For future meetings, our 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. broker account in that shareholder's name. If you are an Italian shareholder and wish to use this method of voting for future meetings, 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

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(to be held in your name and for your account). Once your shares are held by a U.S. broker in your name, you will receive the meeting documentation for any future meetings (including the proxy statement) at your address, together with

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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 for the management of the account in the US.

In addition, you may also request to be registered directly with the Company as a record holder, in which case you would be entitled 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 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 limit your disposal rights or make its exercise more complex.

## **Solicitation of Proxies**

This solicitation is made on behalf of our board of directors. 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 for a \$7,500 services fee and the reimbursement of customary disbursements.

## **Voting Rights and Outstanding Shares**

Each share of our common stock, without par value, outstanding on the record date is entitled to one vote per share at the Special Meeting. Each share of our Series A preferred stock outstanding on the record date is entitled to approximately 149.5 votes per share, each share of our Series B preferred stock outstanding on the record date is entitled to approximately 148.6 votes per share, and each share of Series C preferred stock outstanding on the record date is entitled to approximately 220.8 votes per share. We do not have any other class of capital stock outstanding. At the close of business on the record date, there were issued and outstanding [●] shares of common stock, [●] shares of our Series A preferred stock, [●] share of Series B preferred stock, and [●] shares of Series C preferred stock. Our common stock, Series A preferred stock, Series B preferred stock and Series C preferred stock will vote together as a single class on the proposal to be presented at the Special Meeting. The presence at the Special Meeting in person or by proxy of holders of record of a majority of the votes entitled to be cast is required to constitute a quorum for the transaction of all business at the Special Meeting. Votes held by persons abstaining will be counted in determining whether a quorum is present.

All votes will be tabulated by the inspector of elections appointed for the meeting, who will separately tabulate affirmative and negative votes and abstentions. If a quorum exists at the Special Meeting, all shares of common stock, Series A preferred stock, Series B preferred stock and Series C preferred stock represented by properly executed proxies that are not revoked will be voted in accordance with the instructions, if any, given therein. 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 of directors on such proposals.

For Proposal 1, abstentions will have the same effect as votes against Proposal 1 to amend our articles of incorporation, since approval of this proposal is based on the number of votes entitled to be cast.

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

If your shares are registered in the name of a bank or brokerage firm 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 shares electronically over the Internet or by telephone. A large number of U.S. banks and brokerage firms are participating in the Broadridge Investor Communication Services online program. This program provides eligible shareholders who receive a paper copy of the annual report and proxy statement the opportunity to vote via the Internet or by telephone. In addition, our registered holders can vote their shares through [www.proxyvote.com](http://www.proxyvote.com). If your bank or brokerage firm participates in Broadridge's program, or if you are registered with the Company as the record holder of your shares, 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.

At the present time, our Italian shareholders are not able to vote via the Internet or phone unless they have taken action prior to the record date to either (a) transfer their shares to be held in a U.S. brokerage account or (b) request registration in the Company's shareholder books. For more information, see the section above entitled "Important Information for our Shareholders in Italy about Voting Procedures".

### **Revocability of Proxies**

Any shareholder of record 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 Corporate Secretary, Donald W. Wyatt, at our principal executive offices, by executing and delivering another proxy dated as of a later date or by voting in person at the meeting. 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 of Participation in the Italian Central Depository System.

### **Voting Agreements**

At the time of our merger with Novuspharma, we entered into an agreement with Monte Titoli, S.p.A., the Italian central clearing agency, 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 the U.S. clearing agency, The Depository Trust Company, or DTC, Monte Titoli will execute a further omnibus proxy transferring its voting power to the persons who hold Certifications of Participation in the Italian Central Depository System, issued pursuant to Italian law (Article 85(4) of Legislative Decree no. 58/1998).

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**PROPOSAL 1**

**APPROVAL OF AN AMENDMENT TO OUR ARTICLES OF  
INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES**

**Summary**

We are asking our shareholders to approve the amendment of our amended and restated articles of incorporation to (a) increase the number of authorized stock from 110,000,000 shares to 210,000,000 shares and (b) increase the number of shares of our common stock authorized for issuance from 100,000,000 shares to 200,000,000 shares. The additional common stock to be authorized by adoption of the amendment would have rights identical to our currently outstanding common stock. The number of authorized shares of our preferred stock will not be affected by this amendment nor by the Special Meeting. The number of shares of our preferred stock will be maintained at 10,000,000.

Article II of our amended and restated articles of incorporation currently authorizes us to issue up to 110,000,000 shares of stock, 100,000,000 of which are designated as common stock, no par value, and 10,000,000 shares of which are designated as preferred stock, no par value. Our common stock is all of a single class, with equal voting, distribution, liquidation and other rights. As of [December , 2007], [•] shares of common stock were issued and outstanding, [•] shares of our Series A preferred stock were outstanding, [•] shares of our Series B preferred stock were outstanding, [•] shares of our Series C preferred stock were outstanding, [•] shares of common stock were reserved for issuance under our 1994 Equity Incentive Plan, 2007 Equity Incentive Plan and the Novuspharma S.p.A. Stock Option Plan, [•] shares of common stock were reserved for issuance under our 2007 Employee Stock Purchase Plan, warrants to purchase [•] shares of our common stock were issued and outstanding, [•] shares of our common stock were reserved for issuance upon conversion of our 5.75% convertible senior subordinated notes due June 15, 2008, [•] shares of our common stock were reserved for issuance upon conversion of our 5.75% convertible subordinated notes due June 15, 2008, [•] shares of our common stock were reserved for issuance upon conversion of our 4% convertible senior subordinated notes due July 1, 2010, [•] shares of our common stock were reserved for issuance upon conversion of our 6.75% convertible senior notes due October 31, 2010, [•] shares of our common stock were reserved for issuance upon conversion of our 7.5% convertible senior notes due April 30, 2011, [•] shares of our common stock were reserved for issuance upon conversion of our Series A preferred stock, [•] shares of our common stock were reserved for issuance upon conversion of our Series B preferred stock, and [•] shares of our common stock were reserved for issuance upon conversion of our Series C preferred Stock. Adoption of this proposed amendment would not affect the rights of the holders of our currently outstanding common stock.

We anticipate that we may issue additional shares of common stock in the future in connection with one or more of the following:

corporate transactions, such as stock splits or stock dividends;

financing transactions, such as public or private offerings of common stock or convertible securities;

acquisitions;

strategic investments;

partnerships, collaborations and other similar transactions;

our stock incentive plans; and

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other corporate purposes that have not yet been identified.

As of December 31, 2007, we had approximately [●] authorized, unissued and unreserved shares of common stock. In order to provide our board of directors with certainty and flexibility to undertake transactions to support our future business growth, our board of directors deems it is in the best interests of our shareholders and the company to increase the number of authorized shares of our common stock.

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We engage in periodic discussions with potential partners, strategic investments and acquisition candidates, including product lines, as part of our business model. In addition, as noted in our periodic filings, we need to raise cash from financing sources in order to fund our ongoing operations and therefore engage in discussions with various financing sources regarding share issuances from time to time. If any of these discussions came to a definitive understanding, it is possible that we could use some or all of the newly authorized shares in connection with one or more such transactions subsequent to the increase in the number of authorized shares. We also plan to continue to issue shares of our common stock pursuant to our stock incentive plans subsequent to the increase in the number of authorized shares. Subject to the above, however, as of December , 2007, we have no plan, commitment, arrangement, understanding or agreement, either oral or written, regarding the issuance of common stock in connection with one or more such transactions subsequent to the increase in the number of authorized shares.

**Vote Required and Board of Directors Recommendation**

Approval of the amendment to our amended and restated articles of incorporation requires the affirmative vote of a majority of the votes held by holders of our common stock, our Series A preferred stock, Series B preferred stock and Series C preferred stock that are entitled to vote at the Special Meeting. The holders of our common stock, the holders of our Series A preferred stock, the holders of our Series B preferred stock and the holders of our Series C preferred stock will vote together as a single class. Holders of our common stock will be entitled to one vote per share of common stock, holders of our Series A preferred stock will be entitled to approximately 149.5 votes per share of Series A preferred stock, holders of our Series B preferred stock will be entitled to approximately 148.6 votes per share of Series B preferred stock, and holders of our Series C preferred stock will be entitled to approximately 220.8 votes per share of Series C preferred stock.



**Table of Contents****THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS****A VOTE FOR THE PROPOSAL TO AMEND OUR ARTICLES OF****INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES.**

If this Proposal 1 is adopted, the additional authorized shares of common stock would become issuable upon the approval of our board of directors at such times, in such amounts, and upon such terms as our board of directors may determine, without further approval of the shareholders, unless such approval is expressly required by applicable law, regulatory agencies, the Nasdaq stock market, the MTAX or any other exchange or quotation service on which our common stock may then be listed. Furthermore, current shareholders will have no preemptive rights to purchase additional shares. Shareholder approval of this amendment will not, by itself, cause any change in our capital accounts. However, any future issuance of additional shares of common stock authorized pursuant to this Proposal 1 would ultimately result in dilution of existing shareholders' equity interests.

The proposed form of amended and restated articles of incorporation is attached to this proxy statement as *Appendix A*, and includes changes as set forth in this Proposal 1, in addition to generally amending and restating our articles of incorporation into one document for ease of reference and clarity. If the proposed amended and restated articles of incorporation are adopted, they will become effective upon filing of our Amended and Restated Articles of Incorporation with the Secretary of State of the State of Washington.

**Security Ownership of Certain Beneficial Owners and Management**

The following table provides certain information regarding beneficial ownership of common stock as of November 28, 2007, by (1) each shareholder known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock (including shares of common stock issuable on conversion of the Series A preferred stock, Series B Preferred Stock and Series C preferred stock; all three series of preferred stock vote with common stock as a group, with the Series A preferred stock and Series B preferred stock voting on an as-converted basis and each share of the Series C preferred stock having that number of votes equal to the stated value, or \$1,000 per share, divided by \$4.53 in all matters as to which shareholders are required or permitted to vote), (2) each of our directors, (3) each of our principal executive officer (PEO), principal financial officer (PFO), three most highly compensated executive officers other than our PEO and PFO and one additional person who was one of our three most highly compensated executive officers for 2006 but was not serving as an executive officer as of December 31, 2006, and (4) all directors and executive officers as a group:

<b>Name and Address of Beneficial Owner (1)</b>	<b>Number of Shares Beneficially Owned (2)</b>	<b>Shares Subject to Options</b>	<b>Percentage Ownership (2)</b>
James A. Bianco, M.D.** (3)(11)	743,592	367,601	1.3 %
John H. Bauer** (4)	13,250	9,000	*
Louis A. Bianco (5)(11)	277,459	165,216	*
Jade Brown (6)			*
Daniel Eramian (7)(11)	104,730	20,417	*
Vartan Gregorian, Ph.D.** (8)	25,750	20,250	*
Richard L. Love** (9)	496,996		
Mary O. Munding, D.P.H.** (8)	28,413	23,750	*
Phillip M. Nudelman, Ph.D.** (8)	41,452	24,726	*
Jack W. Singer, M.D.** (5)(11)	358,472	189,631	*
Scott C. Stromatt, M.D. (10)(11)	153,063	76,875	*
Frederick W. Telling, Ph.D. ** (8)	9,625	6,000	*
All directors and executive officers as a group (12 persons) (12)(13)(14)	2,252,802	903,466	3.9 %

\* Less than 1%

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\*\* Denotes director of CTI

- (1) The address of the individuals listed, unless otherwise provided, is 501 Elliott Avenue West, Suite 400, Seattle, Washington 98119.
- (2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ( SEC ) and generally includes voting or investment power with respect to securities. This table is based upon information supplied by officers, directors, Schedules 13D, 13G and 13F and Forms 3 and 4 filed with the SEC. Shares of common stock subject to options, warrants or other convertible notes currently exercisable or convertible, or exercisable or convertible within 60 days of November 28, 2007, are deemed outstanding for computing the percentage of the person holding the option or warrant but are not deemed outstanding for computing the percentage of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned. In determining the number of shares of common stock outstanding on November 28, 2007, we have included 1,023,915 shares of common stock issuable upon conversion of the Series A preferred stock, 2,285,282 shares of common stock issuable upon conversion of the Series B preferred stock, and 2,124,109 shares of common stock issuable upon conversion of the Series C preferred stock; the Series A preferred stock, Series B preferred stock and Series C preferred stock vote together with the common stock, with the Series A preferred stock and Series B preferred stock voting on an as-converted basis and the Series C preferred stock voting approximately 220.8 votes per share, or approximately 0.86 votes for each share of common stock into which such Series C preferred stock is convertible.
- (3) Number of shares beneficially owned includes 313,507 shares of unvested restricted stock, 232,862 of which have contingent vesting terms. Of these contingent shares, 31,250 will vest upon the filing of an NDA with the FDA related to the approval of XYOTAX if such event occurs on or before December 14, 2008 and 201,612 will vest based on the Company s achievement of significant corporate goals as described in footnote (11) below.
- (4) Number of shares beneficially owned includes 3,000 shares of unvested restricted stock.
- (5) Number of shares beneficially owned includes 86,550 shares of unvested restricted stock, 60,482 of which have contingent vesting terms and will vest based on the Company s achievement of significant corporate goals as described in footnote (11) below.
- (6) Mr. Brown s employment with us terminated on August 25, 2006.
- (7) Number of shares beneficially owned includes 77,438 shares of unvested restricted stock, 50,402 of which have contingent vesting terms and will vest based on the Company s achievement of significant corporate goals as described in footnote (11) below.
- (8) Number of shares beneficially owned includes 3,625 shares of unvested restricted stock.
- (9) Number of shares beneficially owned includes 6,000 shares of unvested restricted stock.
- (10) Number of shares beneficially owned includes 72,438 shares of unvested restricted stock, 50,402 of which have contingent vesting terms and will vest based on the Company s achievement of significant corporate goals as described in footnote (11) below.
- (11) Shares beneficially owned include unvested restricted stock which have contingent vesting terms based on the Company s achievement of the following three key corporate goals over the next three years: (a) approval from the FDA or EMA for the sale of either Xyotax or pixantrone or any other drug currently owned or exclusively licensed by the Company, (b) approval from the FDA or EMEA of a second such drug and (c) the closing share price for the Company s common stock exceeding \$35.00 (as equitably adjusted for any stock split, stock dividend or similar adjustment in the Company s capitalization). In the event that one of the above-mentioned corporate goals is achieved prior to December 31, 2009, the following shares of restricted stock would vest as of the date of the achievement of such corporate goal:

Name	Number of shares of Restricted Stock
Dr. James Bianco	80,645
Mr. Louis Bianco	24,193

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<b>Name</b>	<b>Number of shares of Restricted Stock</b>
Dr. Jack Singer	24,193
Mr. Dan Eramian	20,161
Dr. Scott Stromatt	20,161

In the event that two of the above mentioned corporate goals are achieved prior to December 31, 2009, the following additional shares of restricted stock would vest as of the date of the second to occur of the two corporate goals:

<b>Name</b>	<b>Number of shares of Restricted Stock</b>
Dr. James Bianco	40,322
Mr. Louis Bianco	12,096
Dr. Jack Singer	12,096
Mr. Dan Eramian	10,080
Dr. Scott Stromatt	10,080

In the event that all three of the above-mentioned corporate goals are achieved prior to December 31, 2009, the following additional shares of restricted stock would vest as of the date of the last to occur of the three corporate goals:

<b>Name</b>	<b>Number of shares of Restricted Stock</b>
Dr. James Bianco	80,645
Mr. Louis Bianco	24,193
Dr. Jack Singer	24,193
Mr. Dan Eramian	20,161
Dr. Scott Stromatt	20,161

- (12) Number of shares beneficially owned includes 659,983 shares of unvested restricted stock for all directors and executive officers as a group, of which 454,630 shares are contingent and would vest as described in the above footnotes.
- (13) Other than Mr. Brown, does not include shares owned by directors and executive officers who served as directors and executive officers during all or part of the 2006 fiscal year but were not serving in that capacity as of November 28, 2007.
- (14) Includes shares owned by directors and executive officers who did not serve as directors and executive officers during all or part of 2006 but were serving in that capacity as of November 28, 2007.

**Other Business**

As of the date of this proxy statement, we know of no other business that will be presented for action at the Special Meeting. We have not received any advance notice of business to be brought before the Special Meeting by any shareholder. If other business requiring a vote of the shareholders should come before the Special Meeting, the person designated as your proxy will vote or refrain from voting in accordance with his best judgment.

**Shareholder Proposals**

A shareholder who intends to nominate a candidate for election to the board of directors or to present a proposal of business at the 2008 Annual Meeting and desires that information regarding the proposal be included in the 2008 Annual Meeting proxy statement and proxy materials must ensure that such information is received in writing by our secretary at our principal executive offices not later than April 30, 2008. In addition, our bylaws

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provide that a proposal for action to be presented by any shareholder at an annual meeting, including the nomination of a candidate for election to the board of directors, will be considered out of order and will not be acted upon unless the proposal is received in writing by our secretary at our principal executive offices at least 90 days before the first anniversary of the previous year's Annual Meeting. The notice must also provide certain other information as described in the bylaws. Copies of the bylaws are available to shareholders free of charge upon request to our secretary.

**Communication with the Company**

Any interested party wishing to communicate directly with the presiding director, other non-management directors or our Board as a whole, may do so by writing to our Corporate Secretary at Cell Therapeutics, Inc., 501 Elliott Ave. W., Suite 400, Seattle, WA 98119. All communications will be delivered to the director or directors to whom they are addressed.

By Order of the Board of Directors  
Louis A. Bianco  
Executive Vice President, Finance & Administration

Seattle, Washington

December [•], 2007

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**APPENDIX A**

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
CELL THERAPEUTICS, INC.**

**ARTICLE I**

**NAME**

The name of the corporation (the Corporation ) is Cell Therapeutics, Inc.

**ARTICLE II**

**AUTHORIZED CAPITAL STOCK**

1. **Classes.** The Corporation shall be authorized to issue two classes of shares of stock to be designated, respectively, Common Stock and Preferred Stock. The total number of shares which the Corporation shall have authority to issue is Two Hundred Ten Million (210,000,000); the total number of authorized shares of Common Stock shall be Two Hundred Million (200,000,000) and the total number of authorized shares of Preferred Stock shall be Ten Million (10,000,000).

2. **Preferred Stock.** Shares of Preferred Stock may be issued from time to time in one or more series. Shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law. The Board of Directors of the Corporation is hereby authorized to fix the designations and powers, preferences and rights, if any, and qualifications, limitations or other restrictions thereof, including, without limitation, the dividend rate (and whether dividends are cumulative), conversion rights, if any, voting rights, rights and terms of redemption (including sinking fund provisions, if any), redemption price and liquidation preferences of any wholly unissued series of Preferred Stock and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding.

(a) **Series A 3% Convertible Preferred Stock**

**Section 1. Definitions.** Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement. For the purposes hereof, the following terms shall have the following meanings:

**Alternate Consideration** shall have the meaning set forth in Section 7(e).

**Bankruptcy Event** means any of the following events: (a) the Corporation or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Corporation or any Significant Subsidiary thereof; (b) there is commenced against the Corporation or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement; (c) the Corporation or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Corporation or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment; (e) the Corporation or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors; (f) the Corporation or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (g) the Corporation or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.



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**Business Day** means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

**Buy-In** shall have the meaning set forth in Section 6(d)(iii).

**Change of Control Transaction** means the occurrence after the date hereof of any of (i) an acquisition by an individual, legal entity or group (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Corporation, by contract or otherwise) of in excess of 33% of the voting securities of the Corporation (other than by means of conversion or exercise of Series A Preferred Stock and the Warrants issued together with the Series A Preferred Stock), or (ii) the Corporation merges into or consolidates with any other Person, or any Person merges into or consolidates with the Corporation and, after giving effect to such transaction, the shareholders of the Corporation immediately prior to such transaction own less than 66% of the aggregate voting power of the Corporation or the successor entity of such transaction, or (iii) the Corporation sells or transfers all or substantially all of its assets to another Person and the shareholders of the Corporation immediately prior to such transaction own less than 66% of the aggregate voting power of the acquiring entity immediately after the transaction, or (iv) a replacement at one time or within a one year period of more than one-half of the members of the Corporation's board of directors which is not approved by a majority of those individuals who are members of the board of directors on the date hereof (or by those individuals who are serving as members of the board of directors on any date whose nomination to the board of directors was approved by a majority of the members of the board of directors who are members on the date hereof), or (v) the execution by the Corporation of an agreement to which the Corporation is a party or by which it is bound, providing for any of the events set forth in clauses (i) through (iv) herein.

**Closing Date** means the Trading Day when all of the Transaction Documents have been executed and delivered by the applicable parties thereto and all conditions precedent to (i) each Holder's obligations to pay the Subscription Amount and (ii) the Corporation's obligations to deliver the Securities have been satisfied or waived.

**Commission** means the Securities and Exchange Commission.

**Common Stock** means the Corporation's common stock, no par value per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

**Common Stock Equivalents** means any securities of the Corporation or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

**Conversion Amount** means the sum of the Stated Value at issue.

**Conversion Date** shall have the meaning set forth in Section 6(a).

**Conversion Price** shall have the meaning set forth in Section 6(b).

**Conversion Shares** means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series A Preferred Stock in accordance with the terms hereof.

**Dividend Payment Date** shall have the meaning set forth in Section 3(a).

**Equity Conditions** means, during the period in question, (i) the Corporation shall have duly honored all conversions scheduled to occur or occurring by virtue of one or more Notices of Conversion of the applicable Holder on or prior to the dates so requested or required, if any, (ii) the Corporation shall have paid all liquidated damages and other amounts owing to the applicable Holder in respect of the Series A Preferred Stock, (iii) there is an effective Registration Statement pursuant to which the Company is permitted to issue the Conversion Shares or the Holders are permitted to utilize the prospectus thereunder to resell all of the shares of Common Stock issuable pursuant to the Transaction Documents (and the Corporation believes, in good faith, that such effectiveness will continue uninterrupted for the foreseeable

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future), (iv) the Common Stock is trading on a Trading Market and all of the shares issuable pursuant to the Transaction Documents are listed for trading on such Trading Market (and the Corporation believes, in good faith, that trading of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future), (v) there is a sufficient number of authorized, but unissued and otherwise unreserved, shares of Common Stock for the issuance of all of the shares of Common Stock issuable pursuant to the Transaction Documents, (vi) there is no existing Triggering Event or no existing event which, with the passage of time or the giving of notice, would constitute a Triggering Event, (vii) the issuance of the shares in question to the applicable Holder would not violate the limitations set forth in Section 6(c) herein, (viii) there has been no public announcement of a pending or proposed Fundamental Transaction or Change of Control Transaction that has not been consummated and (ix) the applicable Holder is in possession of any information furnished by the Corporation that constitutes, or may constitute, material non-public information.

**Exchange Act** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

**Forced Conversion Amount** means the sum of (i) 100% of the aggregate Stated Value then outstanding, (ii) accrued but unpaid dividends and (iii) all liquidated damages and other amounts due in respect of the Series A Preferred Stock.

**Forced Conversion Date** shall have the meaning set forth in Section 8(a).

**Forced Conversion Notice** shall have the meaning set forth in Section 8(a).

**Forced Conversion Notice Date** shall have the meaning set forth in Section 8(a).

**Fundamental Transaction** shall have the meaning set forth in Section 7(e).

**Holder** shall have the meaning given such term in Section 2.

**Junior Securities** means the Common Stock and all other Common Stock Equivalents of the Corporation other than those securities which are explicitly senior or pari passu to the Series A Preferred Stock in dividend rights or liquidation preference.

**Liquidation** shall have the meaning set forth in Section 5.

**Notice of Conversion** shall have the meaning set forth in Section 6(a).

**Optional Redemption** shall have the meaning set forth in Section 8(b).

**Optional Redemption Amount** means the sum of (i) 100% of the aggregate Stated Value then outstanding, (ii) accrued but unpaid dividends and (iii) all liquidated damages and other amounts due in respect of the Series A Preferred Stock.

**Optional Redemption Date** shall have the meaning set forth in Section 8(b).

**Optional Redemption Notice** shall have the meaning set forth in Section 8(b).

**Optional Redemption Notice Date** shall have the meaning set forth in Section 8(b).

**Original Issue Date** means the date of the first issuance of any shares of the Series A Preferred Stock regardless of the number of transfers of any particular shares of Series A Preferred Stock and regardless of the number of certificates which may be issued to evidence such Series A Preferred Stock.

**Purchase Agreement** means the Securities Purchase Agreement, dated as of the Original Issue Date, to which the Corporation and the original Holders are parties, as amended, modified or supplemented from time to time in accordance with its terms.

**Securities Act** means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

**Series A Preferred Stock** shall have the meaning set forth in Section 2.



