

CELL THERAPEUTICS INC
Form DEF 14A
April 28, 2005

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: x

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Check the appropriate box:

.. Preliminary Proxy Statement

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

x 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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(4) Date Filed:

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April 28, 2005

Dear Shareholder:

You are cordially invited to attend the Cell Therapeutics, Inc. (CTI) Annual Meeting of Shareholders, to be held at 10:30 a.m. (EDT) on Friday, June 17, 2005, at The St. Regis Hotel, New York, located at Two East 55th Street, at Fifth Avenue, New York, New York 10022.

Information concerning the business to be conducted at the meeting is included in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement. Immediately following the meeting, we will report on the operations of CTI and respond to questions you may have.

A copy of the 2004 Annual Report to Shareholders is also enclosed with proxy statements being sent to our U.S. shareholders. If you are an Italian shareholder, you may request a copy of the proxy statement and Annual Report from our Italian office located at Via Ariosto, 23, 20091 Bresso (MI)-Italy, Attn: Vice President, Finance and Accounting.

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 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 bank or brokerage account, 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

CELL THERAPEUTICS, INC.

Notice of Annual Meeting of Shareholders

Friday, June 17, 2005

To Our Shareholders:

The Annual Meeting of Shareholders of Cell Therapeutics, Inc. (CTI) will be held at 10:30 a.m. (EDT) on Friday, June 17, 2005, at The St. Regis Hotel, New York, located at Two East 55th Street, at Fifth Avenue, New York, New York 10022, for the following purposes:

- 1) To elect three Class II directors, each to serve until the 2008 Annual Meeting;
- 2) To approve an amendment to our 2003 Equity Incentive Plan to (i) increase the number of shares subject to the annual automatic grant of nonqualified stock options to our continuing non-employee directors from 10,000 shares to 12,000 shares, with the exception of the Chairman of the board who will continue to receive an annual automatic grant of 15,000 shares, and (ii) provide for the initial automatic grant of 2,500 restricted shares of our common stock to our non-employee directors upon their initial election or appointment to the board and an annual automatic grant of 2,500 restricted shares of our common stock to our continuing non-employee directors;
- 3) To ratify the selection of Grant Thornton LLP as our independent auditors for the year ending December 31, 2005; and
- 4) 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 April 18, 2005, the record date fixed by the board of directors, are entitled to notice of, and 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.

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, 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

Richard E. Leigh, Jr.

Secretary

Seattle, Washington

April 28, 2005

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 REQUEST A CERTIFICATE OF PARTICIPATION IN THE CENTRAL DEPOSITARY SYSTEM FROM YOUR BROKER AND INCLUDE IT IN THE SAME ENVELOPE OR TELECOPY IT TOGETHER WITH YOUR ITALIAN PROXY CARD (see page 1 for more information on Italian voting procedures).

CELL THERAPEUTICS, INC.

501 Elliott Avenue West, Suite 400

Seattle, WA 98119

PROXY STATEMENT

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 Annual Meeting of Shareholders, to be held at 10:30 a.m. (EDT) on Friday, June 17, 2005, at The St. Regis Hotel, New York, located at Two East 55th Street, at Fifth Avenue, New York, New York 10022, and at any adjournment or postponement thereof.

Only shareholders of record on our books at the close of business on April 18, 2005, which we will refer to as the record date, will be entitled to notice of, and to vote at, the Annual Meeting.

At the Annual Meeting, shareholders will be asked to: (1) elect three Class II directors, each to serve until the 2008 Annual Meeting (Proposal 1); (2) to approve an amendment to our 2003 Equity Incentive Plan to (i) increase the number of shares subject to the annual automatic grant of nonqualified stock options to our continuing non-employee directors from 10,000 shares to 12,000 shares, with the exception of the Chairman of the Board who will continue to receive an annual automatic grant of 15,000 shares, and (ii) provide for the initial automatic grant of 2,500 restricted shares of our common stock to our non-employee directors upon their initial election or appointment to the board and an annual automatic grant of 2,500 restricted shares of our common stock to our continuing non-employee directors (Proposal 2); and (3) ratify the selection of Grant Thornton LLP as our independent auditors for the year ending December 31, 2005 (Proposal 3, collectively the Proposals).

This proxy statement and the accompanying proxy card are being first mailed to shareholders on or about April 28, 2005.

Important Information for our Shareholders in Italy about Voting Procedures

When we merged with Novuspharma S.p.A., the shareholders of Novuspharma received shares of our common stock in exchange for Novuspharma ordinary shares. All of our shares were delivered to our Italian shareholders through the facilities of the Italian clearing agency, called Monte Titoli, and from that point, through the banks and brokers participating in the Monte Titoli system. If you are a pre-merger

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Novuspharma shareholder or if you acquired our stock on the Nuovo Mercato, you continue to hold shares of our common stock indirectly through Monte Titoli (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. 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 and Article 34 of CONSOB Regulation 11768/1998).

All of our Italian shareholders are cordially invited to attend our annual meeting in the United States. 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. If you wish to attend our annual meeting and vote in person, please present your Certification at the door. Alternatively, if you would like to vote by mail, you must obtain an Italian proxy card. If you did not receive an Italian proxy card with this proxy statement, you may print one from our Internet site at www.cticseattle.com/investors_events-share.htm. Please mark your votes on the Italian proxy card and return it and your Certification by mail to the address shown on the card by the deadline shown on the card. Your name, as you write it on your Italian proxy card must exactly match your name, as printed on your Certification. Italian privacy law prevents us from learning in advance the names of the persons holding Certifications. Thus, you must include your Certification (or a complete copy) in the same envelope as your Italian proxy card in order for your vote to be counted (that is, in order to prove to our inspector of election that you have the right to vote). Holders of Certifications may also name a substitute proxy by any other means permitted by Washington law and our bylaws. If you use an alternate means, the person you name as your proxy must provide your Certification, or a complete copy thereof, together with your written authorization naming such person as your proxy, to our inspector of election in order to verify the authenticity of your proxy designation.

We strongly encourage our Italian shareholders to obtain a Certification and submit it, together with an Italian proxy card, by mail to the address 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 might not obtain a quorum, in which case we would be unable to conduct any business at the annual meeting. **Your vote is important. Please obtain a Certification and vote today.**

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 retained the services of The Proxy Advisory Group of Strategic Stock Surveillance, LLC to aid in the solicitation of proxies for the Annual Meeting of Shareholders at an estimated cost of approximately \$7,500.

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 Annual Meeting. 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 64,568,247 shares of common stock. The presence at the Annual Meeting in person or by proxy of holders of record of a majority of the outstanding shares of voting stock is required to constitute a quorum for the transaction of all business at the Annual Meeting. Broker non-votes (i.e., shares held by a broker or nominee which are represented at the meeting, but with respect to which the broker or nominee is not empowered to vote on a particular non-routine proposal) and shares 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, abstentions and broker non-votes. If a quorum exists at the Annual Meeting, all shares of common 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 Proposals 1 and 3, if your shares are held in street name and you do not instruct your broker on how to vote your shares, your brokerage firm may either leave your shares unvoted or vote your shares. Shares represented by abstentions for Proposals 1 and 3 will not be counted as votes cast against Proposals 1 and 3 and

will have no effect on those proposals since approval is based on the number of votes actually cast. For Proposal 2, if your shares are held in street name and you do not instruct your broker on how to vote your shares, your brokerage firm will not have the authority to vote your shares, and your shares will constitute broker non-votes. Shares represented by broker non-votes and abstentions will not be counted as votes against Proposal 2 to amend CTI's 2003 Equity Incentive Plan, and will have no effect on the proposal, since approval is based solely 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, 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 ADP 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. If your bank or brokerage firm is participating in ADP'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.

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 secretary, Richard E. Leigh, Jr., 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 and Article 34 of CONSOB Regulation 11768/1998).

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of common stock, as of March 15, 2005, by (1) each shareholder known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock, (2) each of our directors and nominees for director, (3) each of our executive officers named in the Summary Compensation Table herein and (4) all directors and executive officers as a group:

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned (2)	Shares Subject to Options	Percentage Ownership (2)
James A. Bianco, M.D.** (3)	1,724,568	993,739	2.6%
Steve Aselage (4)	160,800	30,000	*
Louis A. Bianco (5)	534,623	277,517	*
John M. Fluke, Jr.**	45,000	35,000	*
Vartan Gregorian, Ph.D.**	45,000	40,000	*
Max E. Link, Ph.D.**	83,572	10,000	*
Mary O. Munding, Dr. PH**	41,650	40,000	*
Phillip M. Nudelman, Ph.D.**	84,811	34,906	*
Erich Platzer, M.D.**	318,056	25,000	*
Jack W. Singer, M.D.** (5)	802,702	358,524	1.2%
Silvano Spinelli**	456,760		*
All directors and executive officers as a group (13 persons) (6)(7)	4,730,590	2,008,268	7.1%

* Less than 1%

** Denotes director of CTI

(1) The address of the individuals listed 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 or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of March 15, 2005, 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.

(3) Number of shares beneficially owned includes 365,000 shares of unvested restricted stock, of which 200,000 shares are contingent and would vest upon the date that we receive a new drug application, or NDA, approval for Xyotax or pixantrone from the Food and Drug Administration, or FDA, if the approval is obtained prior to January 1, 2007.

(4) Number of shares beneficially owned includes 115,000 shares of unvested restricted stock, of which 100,000 shares are contingent and would vest upon the date that we receive approval for an NDA for Xyotax from the FDA if the approval is obtained prior to January 1, 2007.

(5) Number of shares beneficially owned includes 163,333 shares of unvested restricted stock, of which 100,000 shares are contingent and would vest upon the date that we receive approval for an NDA for Xyotax from the FDA if the approval is obtained prior to January 1, 2007.

(6) Number of shares beneficially owned includes 1,058,299 shares of unvested restricted stock for all executive officers as a group, of which 700,000 shares are contingent and would vest upon the date that we receive approval for an NDA for Xyotax or pixantrone from the FDA if the approval is obtained prior to January 1, 2007.

(7) Does not include shares owned by directors and executive officers who served as directors and executive officers during all or part of the 2004 fiscal year but were not serving in that capacity as of March 15, 2005.

PROPOSAL 1**ELECTION OF DIRECTORS**

Our amended and restated articles of incorporation and our bylaws provide for the board of directors 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 and qualified. As a result, approximately one-third of the total number of directors are elected every year at the annual meeting of shareholders. Under our bylaws, the number of directors constituting the entire board of directors may be decreased or increased by majority action of either the board of directors 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 of directors, our bylaws permit a majority of the remaining directors in office to fill the vacancy, and the director then chosen will hold office until the next shareholders meeting at which directors are elected. At such meeting, the director will stand for re-election until the later of the term elected or until his or her successor is elected and qualified.

The board of directors has fixed the number of directors at twelve. Currently, there are nine members of the board of directors. Our nominating and governance committee is in the process of evaluating potential candidates to fill the vacancies on our 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 II directors, Dr. Max E. Link, Dr. James A. Bianco and Dr. Vartan Gregorian expire at the Annual Meeting. The current terms of office of the Class III directors, Dr. Erich Platzer, Dr. Jack W. Singer and Dr. Mary O. Mundinger expire at the 2006 Annual Meeting. The current terms of office of the Class I directors, Mr. John M. Fluke, Dr. Phillip M. Nudelman and Mr. Silvano Spinelli expire at the 2007 Annual Meeting.

Dr. Max E. Link, Dr. James A. Bianco and Dr. Vartan Gregorian have been nominated by the board for election at the Annual Meeting as Class II directors for three-year terms expiring at the 2008 Annual Meeting.

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 and qualified. It is intended that the accompanying proxy will be voted for the election as directors of Dr. Max E. Link, Dr. James A. Bianco and Dr. Vartan Gregorian unless the proxy contains contrary instructions. Each nominee has agreed to serve if elected, and we have no reason to believe that any of the nominees will not be a candidate or will be unable to serve. However, if any of the nominees should become unable or unwilling to serve as a director, the persons named in the proxy have advised us that they will vote for the election of the substitute nominee or nominees designated by the board of directors.

The candidates elected will be those receiving the three largest number of votes cast by the shares of voting stock entitled to vote in the election. Abstentions and broker non-votes will not be counted in the election of directors.

Set forth below is biographical information for each nominee for director and each person whose term of office as a director will continue after the Annual Meeting.

Name	Age as of March 31, 2005	Director Since	Class
James A. Bianco, M.D.	48	1991	II
John M. Fluke, Jr.(3)(4)	62	2002	I
Vartan Gregorian, Ph.D(2)	70	2001	II

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Max E. Link, Ph.D.(1)(2)(3)	64	1995	II
Erich Platzer, M.D.	54	2004	III
Mary O. Munding, Dr. PH(2)(4)	67	1997	III
Phillip M. Nudelman, Ph.D.(3)(4)	69	1994	I
Jack W. Singer, M.D.	62	1991	III
Silvano Spinelli	53	2004	I

- (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 Three-Year Term Expiring at the 2005 Annual Meeting Class II Directors

Dr. Bianco is our principal founder and has been our president and chief executive officer since February 1992 and one of our directors since our inception in September 1991. Prior to founding CTI, 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, the world's largest bone marrow transplant 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 Jose Carreras International Leukemia Foundation, Fred Hutchinson Business Alliance, Arts Fund, Seattle Police Foundation and Pacific Northwest Ballet. Dr. Bianco received his B.S. degree in biology and physics from New York University and his M.D. from Mount Sinai School of Medicine. Dr. Bianco is the brother of Louis A. Bianco, our executive vice president, finance and administration.

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

Dr. Link joined the board of directors in July 1995 as its vice chairman and has served as chairman of the board of directors since January 1996. In addition, Dr. Link has held a number of executive positions with pharmaceutical and healthcare companies. Most recently, he served as chairman of the board and chief executive officer at Centerpulse, Ltd. from March 2001 until September 2003. He has also served as chief executive officer of Corange, Limited from May 1993 until June 1994. Prior to joining Corange, Dr. Link served in a number of positions within Sandoz Pharma Ltd., including chief executive officer from 1990 until April 1992, and chairman from April 1992 until May 1993. Dr. Link currently serves on the board of directors of Alexion Pharmaceuticals, Inc., Access Pharmaceuticals, Celsion Corporation, CytRx Corporation, Discovery Labs, Human Genome Sciences, Inc. and Protein Design Labs, Inc. Dr. Link received his Ph.D. in economics from the University of St. Gallen.

Litigation Involving Directors, Officers and Affiliates

Cell Therapeutics, Inc., James A. Bianco, M.D., president, chief executive officer and director, and Max Link, Ph.D, chairman of the board of directors, are defendants in a number of purported shareholder class actions, alleging violations of federal securities laws. The securities lawsuits were filed beginning in March 2005 and are pending in both the United States District Court for the Western District of Washington and the United States District Court for the Eastern District of New York. The securities lawsuits assert claims arising under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder on behalf of a class of purchasers of common stock during the period from June 7, 2004 to March 4, 2005. The securities complaints allege generally that the defendants knowingly or recklessly made false or misleading statements during the Class Period concerning its Phase III XYOTAX clinical trial. The defendants believe that the allegations in the foregoing actions are without merit and intend to defend the actions vigorously.

Vote Required and Board of Directors Recommendation

The three nominees for director who receive the most votes cast at the Annual Meeting in person or by proxy shall be elected.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS

A VOTE IN FAVOR OF EACH NAMED NOMINEE.

Directors Continuing in Office Until the 2006 Annual Meeting Class III Directors

Dr. Mundinger has been one of our directors since April 1997. Since 1986, she has been a dean and professor at the Columbia University School of Nursing, and an associate dean on the faculty of medicine at Columbia University. Dr. Mundinger currently serves on the board of directors of United Health Group, Gentiva Health Services and Welch Allyn. Dr. Mundinger received her doctorate of public health from Columbia's School of Public Health.

Dr. Platzer was appointed to our board of directors on January 1, 2004, in connection with our acquisition of Novuspharma, S.p.A. From November 1999 until January 2004, he was president of the Novuspharma board of directors. From 1991 to 1999, Dr. Platzer worked for Hoffman-La Roche A.G., where he became the director of global strategic oncology marketing in 1997, chairing the interdisciplinary team that determined the strategic direction of Roche oncology and guiding the licensing strategy. From 1988 to 1991, Dr. Platzer was an attending physician and associate professor of medicine at the University of Erlangen, Germany. In the 1980's, Dr. Platzer worked as an experimental scientist in academia, including at Memorial Sloan-Kettering Cancer Center in New York. Dr. Platzer received his degree in medicine in 1979 from the University of Erlangen. Dr. Platzer serves on the board of directors of Ingenium Pharmaceuticals and MTM Laboratories.

Dr. Singer is one of our founders and directors and currently serves as our executive vice president, chief medical officer. Dr. Singer has been one of our directors since our inception in September 1991. He also serves on the board of directors of DiaKine Therapeutics, Inc. From July 1995 to January 2004, Dr. Singer was our executive vice president, research program chairman and from April 1992 to July 1995, he served as our executive vice president, research and development. Prior to joining us, Dr. Singer was a professor of medicine at the University of Washington and a full member of the Fred Hutchinson Cancer Research Center. From 1975 to 1992, Dr. Singer was the chief of medical oncology at the Veterans Administration Medical Center in Seattle. Dr. Singer received his M.D. from State University of New York, Downstate Medical College.

Directors Continuing in Office Until the 2007 Annual Meeting Class I Directors

Mr. Fluke has been one of our directors since November 2002. Since 1990, Mr. Fluke has been the chairman of Fluke Capital Management, L.P., a venture capital company. From 1966 to 1990, he held various positions at Fluke Corporation, most recently as chairman and chief executive officer. Mr. Fluke currently serves on the board of directors of PACCAR Inc., Fluke Capital Management, L.P., American Seafoods Group, LLC, Abacast, Inc. and TeraCloud Corp. Mr. Fluke received his B.S. degree in electrical engineering from the University of Washington and his M.S. degree in electrical engineering from Stanford University. Mr. Fluke is a member of the University of Washington's Business School Advisory Board and also serves as a trustee of the Swedish Hospital Foundation.

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Dr. Nudelman has been one of our directors since March 1994. Since May 2000, he has been 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. From 1990 to 2000, Dr. Nudelman was the president and chief executive officer of Group Health Cooperative of Puget Sound, a health maintenance organization. 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.

Mr. Spinelli was appointed to our board of directors on January 1, 2004 in connection with our acquisition of Novuspharma, S.p.A, and has been our managing director of European operations since January 2004. He was a founder of Novuspharma and was Novuspharma's chief executive officer and managing director since January 1, 1999. He joined Novuspharma in 1999 after having worked for Boehringer Mannheim Italia S.p.A. since 1980, holding a number of positions, which culminated in his appointment as R&D director in 1995. Prior to joining Boehringer Mannheim, Mr. Spinelli was assistant to the professor of quantitative analysis at the University of Pisa and responsible for the Chemical Synthesis Laboratory at Unibos Company. Mr. Spinelli received his degree in chemistry in 1976 from the University of Pisa.

Board and Committee Meetings

Our board of directors held ten meetings during the year ended December 31, 2004. Each of the directors attended at least 75% of the total number of meetings of the board of directors and the total number of meetings held by all committees of the board of directors on which they served, with the exception of Drs. Gregorian and Platzer, who were unable to attend certain meetings due to extenuating circumstances. Our policy is to encourage attendance at the annual meeting. All of our directors in office at the time of our 2004 Annual Meeting were in attendance at our 2004 Annual Meeting. The board of directors has three standing committees: a compensation committee, a nominating and governance committee and an audit committee. Our non-management directors meet in executive session at each regularly scheduled board meeting, without management present.

Board Independence

The board of directors has determined that two of the three directors standing for re-election have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and meet the requirements of independence as set forth in the rules and regulations promulgated by the Securities and Exchange Commission and the Nasdaq Stock Market listing standards. Furthermore, the board of directors has determined that the following six out of the nine current members of the Board meet the requirements of independence as set forth in the rules and regulations promulgated by the Securities and Exchange Commission and the Nasdaq Stock Market listing standards: John M. Fluke, Jr., Vartan Gregorian, Ph.D., Max E. Link, Ph.D., Mary O. Munding, Dr. PH, Phillip M. Nudelman, Ph.D. and Erich Platzer, M.D.

Audit Committee

The audit committee, which was established in January 1994, has responsibility for assisting the board of directors in fulfilling their responsibilities related to our corporate accounting and reporting practices and the quality and integrity of our financial reporting. 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 our board of directors, are intended to be in accordance with Securities and Exchange Commission rules and Nasdaq listing requirements with regard to corporate audit committees. The audit committee charter is available on our website at www.cticseattle.com.

Fifteen meetings of the audit committee were held during the year ended December 31, 2004. The audit committee currently consists of three non-employee directors, Drs. Link and Nudelman and Mr. Fluke.

The board has determined that each of the current members of the audit committee meets the requirements of independence as set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934, the rules and regulations promulgated by the Securities and Exchange Commission and the Nasdaq Stock Market listing standards. The board has also determined that although Dr. Link currently sits on the audit committees of more than three public companies, these relationships do not impair his ability to serve effectively on our audit committee. Additionally, Dr.

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Link qualifies as an audit committee financial expert as defined under the rules and regulations of the SEC and the board of directors has determined that he has accounting and related financial management expertise within the meaning of the Nasdaq Stock Market listing standards.

Compensation Committee

The compensation committee has broad responsibility for assuring that our executive officers, including our chief executive officer, are effectively compensated in terms of salaries, supplemental compensation and benefits that are internally equitable and externally competitive. The compensation committee also administers our 2003 and 1994 Equity Incentive Plans, Cell Therapeutics, Inc. Novuspharma S.p.A. Stock Option Plan (Novuspharma Plan) and our 1996 Employee Stock Purchase Plan. Six meetings of the compensation committee were held during the year ended December 31, 2004. The compensation committee currently consists of three non-employee directors, Drs. Munding, Gregorian and Link, all of whom meet the requirements of independence as set forth in the rules and regulations promulgated by the Securities and Exchange Commission and the Nasdaq Stock Market listing standards.

Nominating and Governance Committee

The nominating and governance committee ensures that the board of directors is properly constituted in addition to evaluating both the composition and governance of our board of directors and our corporate governance. The nominating and governance committee also oversees the board evaluation process. Three meetings of the nominating and governance committee were held during the year ended December 31, 2004. The nominating and governance committee currently consists of Drs. Nudelman and Munding and Mr. Fluke, all of whom meet the independence requirements as set forth in the rules and regulations promulgated by the Securities and Exchange Commission and the Nasdaq Stock Market listing standards. The nominating and governance committee has a written charter, which is available at our website at www.cticseattle.com.

Consideration of Director Nominees

A shareholder may recommend a person as a nominee for director by writing to the secretary of the company. Director nominations intended for inclusion in next year's proxy statement pursuant to SEC Rule 14a-8 should be sent to the Secretary of CTI at 501 Elliott Avenue West, Suite 400, Seattle, Washington 98119 and must be received by December 23, 2005. Under CTI's bylaws, notice of any other shareholder proposal or the nomination of a candidate for election as a director to be made at the 2006 Annual Meeting of Shareholders (but not included in the proxy statement) must be received by March 19, 2006 (not less than 90 days prior to the first anniversary of the previous year's Annual Meeting) and must comply with the bylaws. As set forth in the company's 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 Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the board of directors; and (e) the consent of each nominee to serve as a director of the company if so elected. All the director nominees named in the proxy statement met the board's criteria for membership and were recommended by the nominating and governance committee for election by shareholders at this Annual Meeting.

The nominating and governance committee considers shareholder recommendations of nominees for election to the board of directors if they are accompanied by a comprehensive written resume of the recommended nominee's business experience and background and a consent in writing signed by the recommended nominee that he or she is willing to be considered as a nominee and, if nominated and elected, he or she will serve as a director. 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., 501 Elliott Avenue West, Suite 400, Seattle, Washington 98119, attention: Secretary.

All nominees for election at this Annual Meeting were previously elected by shareholders.

Access to Directors

Shareholders and other interested parties may communicate with the Board and CTI's Chairman by writing to Dr. Link, c/o Cell Therapeutics, Inc., General Counsel, 501 Elliott Avenue West, Suite 400, Seattle, Washington 98119. The General Counsel will perform a legal review in the normal discharge of his duties to ensure that communications forwarded to Dr. Link 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 General Counsel pursuant to the terms of our Whistle Blower Policy), inquiries regarding clinical trials or our operations generally, job inquiries, surveys, business solicitations or advertisements will not be forwarded to Dr. Link. In addition, material that is hostile, threatening or similarly unsuitable will not be forwarded to Dr. Link. Any communication that is relevant to the conduct of CTI's business and is not forwarded will be retained for one year and made available to Dr. Link and any other independent director on request. The independent directors have granted the General Counsel discretion to decide what correspondence shall be forwarded to Dr. Link and what shall be shared with CTI management, in all cases with specific instructions that any personal employee complaints be forwarded as set forth in our Whistle Blower Policy.

Director Compensation

Directors who are also our employees are not paid an annual retainer, nor are they compensated for serving on the board. As increased by our board of directors effective for meetings after June 30, 2004, our non-employee directors are paid meeting fees as follows:

	Annual Cash Retainer (\$)	Meeting Fees (\$)		Telephone Meeting Fees (\$)	
		Board	Committee	Board	Committee
Board Member	18,000	1,500		1,000	
Chairman of the Board	Plus 22,000	1,500		1,000	
Committee Member	Plus 1,000		500		500
Committee Chair	Plus 1,000		500		500

All directors are reimbursed for their expenses incurred in attending board meetings. During 2004, pursuant to the Automatic Option Grant Program in effect for the directors, each non-employee director also received one of the following fully-vested option grants primarily under our 2003 Equity Incentive Plan, with the exception of Erich Platzer, whose initial option grant was under the Novuspharma Plan:

Grant Type	Option Grants
Initial Grant Upon Appointment Directors	15,000
Initial Grant Upon Appointment Chairman of the Board (1)	20,000
Annual Grant Continuing Directors	10,000
Annual Grant Continuing Chairman of the Board	15,000

(1) Not applicable in 2004.

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Each of these options granted during 2004 had an exercise price that ranged from \$6.63 to \$9.09 and was equal to 100% of the fair market value on the date of grant. These options have a term of ten years measured from the grant date, subject to early termination if the optionee ceases serving as a director.

If Proposal 2 is adopted by our shareholders, director equity compensation would change per the parameters in Proposal 2 as of the date of approval by our shareholders.

PROPOSAL 2

APPROVAL OF AN AMENDMENT TO THE

2003 EQUITY INCENTIVE PLAN

We are asking our shareholders to approve an amendment to our 2003 Equity Incentive Plan. The 2003 Equity Incentive Plan was adopted by our board of directors in May 2003 and approved by our shareholders in June 2003. On July 2, 2004, our board of directors authorized an amendment to the 2003 Equity Incentive Plan, subject to shareholder approval, to (1) increase the number of shares subject to the annual automatic grant of nonqualified stock options to our continuing non-employee directors from 10,000 shares to 12,000 shares, with the exception of the Chairman of the board who will continue to receive an annual automatic grant of 15,000 shares, and (2) provide for the initial automatic grant of 2,500 restricted shares of our common stock to our non-employee directors upon their initial election or appointment to the board and an annual automatic grant of 2,500 restricted shares of our common stock to our continuing non-employee directors.

In June 2004, our board of directors engaged Milliman Inc., a compensation consultant, to evaluate our outside director compensation program for appropriateness and market competitiveness. Milliman determined that, when compared to our peer companies, our total outside director compensation, including the stock-based component of our outside director compensation package was below the average and below the 60th percentile of the peer group. In addition, the stock-based component of the other companies' outside director compensation packages was significantly higher than past CTI practice. We believe that stock-based awards focus our directors on the objective of creating shareholder value and promoting the success of CTI, and that the automatic award of stock options and restricted stock are an important attraction, retention and motivation tool for our non-employee directors. The proposed Plan amendments were approved by our board of directors based in substantial part on the findings from Milliman's analysis. We believe that the proposed amendments will help further our goal of creating shareholder value and will help enable us to continue to be able to attract, retain and reward qualified non-employee directors.

Summary of the 2003 Equity Incentive Plan

The following is a summary of the principal features of the 2003 Equity Incentive Plan, as proposed to be amended (the "Plan") and its operation. Because it is not a complete description of all of the terms and conditions of the Plan, the summary is qualified in its entirety by reference to the full text of the Plan, as amended, as set forth in Appendix A.

Background and Purpose of the Plan

The Plan is intended to attract, motivate and retain employees, consultants and non-employee directors who provide significant service to us and to encourage their stock ownership in CTI. We believe that, over the years, our stock plans have made a significant contribution to the success of our business by increasing our ability to attract and retain highly competent individuals on whose judgment, initiative, leadership, and continued efforts the growth and profitability of CTI depend.

Types of Awards Granted Under the Plan

The Plan permits the grant of the following types of incentive awards: (1) stock options, (2) stock appreciation rights and (3) restricted stock (individually, an "Award").

Administration of the Plan

A committee of at least two non-employee members of our board of directors (the Committee) administers the Plan. To make grants to certain of our officers and key employees, the members of the

Committee must qualify as non-employee directors under Rule 16b-3 of the Securities Exchange Act of 1934, and as outside directors under Section 162(m) of the Internal Revenue Code (so that we can receive a federal tax deduction for certain compensation paid under the Plan).

With the exception of automatic option and restricted stock grants to our non-employee directors, and subject to the terms of the Plan, the Committee has the sole discretion to select the employees, consultants and directors who will receive Awards, to determine the terms and conditions of such Awards (for example, the number of shares subject to an Award, the exercise price, and vesting schedule), to interpret the provisions of the Plan and outstanding Awards, to amend outstanding awards (including the authority to accelerate vesting), to reduce the exercise price of any outstanding Award (subject to required shareholder consent), or to extend an option's post-termination exercise period (but not beyond the original option term). The automatic grant of stock options and restricted stock awards to non-employee directors (described below) is to the maximum extent possible, self effectuating.

The Committee may delegate any part of its authority and powers under the Plan to one or more of our directors and/or officers, but only the Committee itself can make Awards to participants who are executive officers of the Company. References to the Committee in this proposal include the Committee and any directors or officers to whom the Committee properly delegates authority.

Authorized Shares

The aggregate number of shares of our common stock that may be issued or delivered pursuant to all Awards under the Plan is 6,443,289 shares. Various additional share limits are imposed. A maximum of:

- 2,500,000 shares may be granted pursuant to Awards of restricted stock with a purchase price that is less than 100% of fair market value on the date of grant;
- 500,000 shares may be issued pursuant to all Awards granted to an individual in any fiscal year.

As is customary in incentive plans of this nature, if we experience a stock dividend, stock split, reverse stock split, reorganization or other change in our capital structure, the Committee has discretion to adjust the number and class of shares available for issuance under the Plan, the number and class of shares covered by each outstanding Award, and the per person limits on Awards, as appropriate to reflect the stock dividend or other change.

If an Award expires or is cancelled without having been fully exercised or vested, the unvested or cancelled shares generally will be returned to the available pool of shares reserved for issuance under the Plan.

Eligibility to Receive Awards

The Committee selects the employees, consultants and directors who will be granted discretionary Awards under the Plan. As of March 31, 2005, approximately 409 officers and employees of CTI (including all of our named executive officers) and all of our non-employee directors, were considered eligible to receive discretionary Awards under the Plan. The actual number of individuals who will receive an Award under the Plan cannot be determined in advance because the Committee has the discretion to select the participants. In addition, all of our non-employee directors were eligible for Awards under the non-employee director program described below.

Stock Options

A stock option is the right to acquire shares of our common stock at a fixed exercise price for a fixed period of time. Under the Plan, the Committee may grant nonqualified stock options and/or incentive stock options (which entitle employees, but not the Company, to more favorable tax treatment). The Committee will determine the number of shares covered by each option.

The exercise price of the shares subject to each option is set by the Committee but generally cannot be less than 100% of the fair market value on the date of grant. In addition, the exercise price of an incentive stock option must be at least 110% of fair market value (on the grant date) if the participant owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any of our subsidiaries. The aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options which first become exercisable by any participant during any calendar year also may not exceed \$100,000. Any shares in excess of this limit will be treated as a nonstatutory stock option. If the employee holds more than one incentive stock option, the incentive stock options are considered in the order in which they were granted.

An option granted under the Plan cannot generally be exercised until it becomes vested. The Committee establishes the vesting schedule of each option at the time of grant. Options become exercisable at the times and on the terms established by the Committee. Options granted under the Plan expire at the times established by the Committee, but not later than 10 years after the grant date (such term is limited to five years in the case of an incentive stock option granted to a participant who owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any of our subsidiaries). The Committee may determine the effect of termination of employment or service on the rights and benefits under options and in doing so may make distinctions based upon the cause of termination or other factors.

The exercise price of each option granted under the Plan must be paid in full at the time of exercise. The Committee also may permit payment through the tender of shares that are already owned by the participant, or by any other means which the Committee determines to be consistent with the purpose of the Plan. The participant must pay any taxes we are required to withhold at the time of exercise.

Stock Appreciation Rights

Awards of stock appreciation rights may be granted in connection with all or any part of an option, either concurrently with the grant of an option or at any time thereafter during the term of the option, or may be granted independently of options. The Committee has complete discretion to determine the number of stock appreciation rights granted to any employee, consultant or director.

The Committee determines the terms of stock appreciation rights, except that the exercise price of a stock appreciation right that is granted independently of an option may not be less than 100% of the fair market value of the shares on the date of grant and the exercise price of a stock appreciation right that is granted in connection with an option may not be less than the exercise price of the related option. In addition, the Committee may determine the effect of termination of employment or service on the rights and benefits under stock appreciation rights and in doing so may make distinctions based upon the cause of termination or other factors.

A stock appreciation right granted in connection with an option will entitle the participant to exercise the stock appreciation right by surrendering to the Company a portion of the unexercised related option. The participant will receive in exchange from the Company an amount equal to the excess of the fair market value of the shares on the date of exercise of the stock appreciation right covered by the surrendered portion of the related option over the exercise price of the shares covered by the surrendered portion of the related option. When a stock appreciation right granted in connection with an option is exercised, the related option, to the extent surrendered, will cease to be exercisable. A stock appreciation right granted in connection with an option will be exercisable until, and will expire no later than, the date on which the related option ceases to be exercisable or expires.

Stock appreciation rights may also be granted independently of options. Such a stock appreciation right will entitle the participant, upon exercise, to receive from the Company an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price. A stock appreciation right granted without a related option will be exercisable, in whole or in part, at such time as the Committee will specify in the stock appreciation right agreement.

The Company's obligation arising upon the exercise of a stock appreciation right may be paid in shares, in cash, or any combination thereof, as the Committee may determine.

Restricted Stock

Awards of restricted stock are shares that vest in accordance with the terms and conditions established by the Committee. The Committee will determine the number of shares of restricted stock granted to any employee, consultant or director, and the other terms of the Award (including the purchase price, if any).

In determining whether an Award of restricted stock should be made, and/or the vesting schedule for any such Award, the Committee may impose whatever conditions to vesting as it determines to be appropriate. For example, the Committee may determine to grant an Award of restricted stock only if the participant satisfies performance goals established by the Committee. Unless the Committee otherwise provides, a restricted stock award confers voting and dividend rights prior to vesting.

Non-employee Director Stock Options

Under the Plan, our non-employee directors will receive annual, automatic, non-discretionary grants of nonqualified stock options and restricted stock. The Committee does not have discretion to select which non-employee directors will be granted automatic options and restricted stock awards, or to determine the number of shares to be covered by the automatic option and restricted stock awards.

Each new non-employee director will automatically be granted a nonqualified stock option to purchase 15,000 shares as of the date he or she first becomes a non-employee director (20,000 shares upon appointment as Chairman of our board of directors). In addition, on each anniversary of his or her election or appointment to the board of directors thereafter during the term of the Plan, each non-employee director also will automatically be granted a nonqualified stock option to purchase 12,000 shares (15,000 shares for the then current Chairman of our board of directors), provided that he or she remains an eligible non-employee director on each such anniversary.

Each option granted to a non-employee director will have an exercise price equal to 100% of the fair market value of the common stock on the grant date and is fully vested and exercisable as to 100% of shares subject to the option on the grant date. Each option granted to a non-employee director will expire 10 years after the date of grant. If a non-employee director's service on the board of directors is terminated because of death or disability, the option will remain exercisable for one year after such termination or until the expiration of the option's stated term, whichever ever first occurs. If a non-employee director's service on the board of directors is terminated for any reason other than because of death or disability, the option will remain exercisable for three months after such termination or until the expiration of the option's stated term, whichever ever first occurs. The exercise price of each option must be paid in full at the time of exercise. The Committee also may permit payment through the tender of shares that are already owned by the non-employee director, or by any other means which the Committee determines to be consistent with the purpose of the Plan.

In addition to the automatic award of stock options, each new non-employee director will automatically be granted a restricted stock award of 2,500 restricted shares as of the date he or she is first appointed as a non-employee director. In addition, on each anniversary of his or her election or appointment to the board of directors that occurs after the Annual Meeting during the term of the Plan, each non-employee director will automatically be granted a restricted stock award of 2,500 restricted shares of our common stock, provided that he or she remains an eligible non-employee director on each such anniversary.

Each restricted stock award will vest as to 100% of the restricted shares subject to the Award on the one year anniversary of the grant date. If a non-employee director's service on the board of directors is terminated for any reason other than his or her death or disability prior to the award's vesting date, the balance of the shares of

restricted stock which have not vested will be forfeited and reverted back to the Company. If a non-employee director's service on the board of directors is terminated by reason of his or her death or disability prior to the award's vesting date, the restricted stock award will become vested as to 100% of the restricted shares subject to the Award.

In addition to the automatic grant of stock option and restricted stock awards, the Committee has the discretion to permit non-employee directors to elect to forego receipt of all or a portion of any cash payments (the annual retainer, meeting fees and committee fees) otherwise due to the non-employee director in exchange for the grant of stock options or restricted stock in accordance with procedures that the Committee adopts. If the Committee permits the non-employee directors to make such an election, the number of shares of restricted stock the non-employee director would receive in lieu of cash compensation would equal the amount of foregone compensation divided by the fair market value of the common stock on the date the compensation would have otherwise been paid to the non-employee director and the number of shares subject to an option that the non-employee director would be granted in lieu of cash compensation would equal the amount of the foregone compensation divided by the value of an option on the date the compensation would have otherwise been paid determined by an option pricing model determined by the Committee. While the Committee retains the discretion to permit non-employee directors to make such elections, it has not exercised this discretion to date.

Deferred Payments

The plan authorizes the Committee to permit the deferred payment of Awards in accordance with and subject to such rules and procedures determined by the Committee in its sole discretion.

Change of Control

In the event of a change of control of the Company, the Committee may require the successor corporation to either assume or provide a substitute award for each outstanding stock option and stock appreciation right. In the event the successor corporation refuses to assume or provide a substitute award, the Committee will provide at least 15 days notice that the options or stock appreciation rights under the Plan will immediately vest and become exercisable as to all of the shares subject to such Award and that such Award will terminate upon the expiration of such notice period. If the successor corporation assumes or provides a replacement Award and the participant is terminated for reasons other than misconduct during the 12-month period following the change of control, then such participant's options and stock appreciation rights will immediately vest and become exercisable as to all of the shares subject to such Award.

Additionally, in the event of a change of control of the Company, the Committee may require any Company repurchase or reacquisition right with respect to restricted stock will be assigned to the successor corporation. In the event the successor corporation refuses to assume any such Company repurchase or reacquisition right, such Company repurchase or reacquisition right will lapse and the participant will be fully vested in such shares of restricted stock. If the Company repurchase or reacquisition right is assigned to the successor corporation and the participant is terminated for reasons other than misconduct during the 12-month period following such change of control, then any Company repurchase or reacquisition right will lapse with respect to such participant's restricted stock (or the property for which the restricted stock was converted upon the change of control) and the participant will be fully vested in such restricted stock (or the property for which the restricted stock was converted upon the change of control).

If the Committee does not require the successor corporation to either assume or provide a substitute award for each outstanding stock option and stock appreciation right or require Company repurchase or reacquisition right with respect to restricted stock to be assigned to the successor corporation, then, unless the Committee otherwise provides, the options and stock appreciation rights will immediately vest and become exercisable as to all of the shares subject to such Award and any such Company repurchase or reacquisition right with respect to any restricted stock award will lapse and the participant will be fully vested in such shares of restricted stock.

Performance Goals

The Committee (in its discretion) may grant to eligible persons performance-based restricted stock awards that are designed to satisfy the requirements for deductibility under Section 162(m) of the Code. These Awards are in addition to options or stock appreciation rights that may also qualify as performance-based awards for Section 162(m) purposes.

The performance-based restrictions on restricted stock awards will lapse only if performance reaches specific, pre-established performance levels related to one or more Performance Goals established by the Committee. The performance levels must be approved by the Committee in advance of applicable deadlines under the Code and while the performance relating to the achievement of such performance levels remains substantially uncertain. The performance levels may be established based on one or a combination of the following Performance Goals: annual revenue, cash position, earnings per share, individual objectives, net income, operating cash flow, operating income, return on assets, return on equity, return on sales and total shareholder return. The performance-based restricted stock awards will also be subject to such other requirements determined by the Committee to be necessary or appropriate to ensure qualification of such awards as performance-based under Section 162(m) of the Code.

Awards to be Granted to Certain Individuals and Groups

The number of Awards that an employee or consultant may receive under the Plan is in the discretion of the Committee and therefore cannot be determined in advance. The following table sets forth (a) the aggregate number of shares subject to options granted under the 2003 and 1994 Equity Incentive Plans and the Novuspharma Plan during the last fiscal year, (b) the average per share exercise price of such options and (c) the aggregate number of shares of restricted stock awarded under the 2003 Equity Incentive Plan and the Novuspharma Plan.

Name	Number of Options (#)	Weighted Average Exercise Price (\$)	Number of Stock Awards (#)
James A. Bianco, M.D.			20,000
Steve Aselage	110,000	7.23	20,000
Louis A. Bianco			15,000
Jack W. Singer, M.D.			15,000
Silvano Spinelli	20,000	8.49	(a)
All current executive officers as a group (seven persons) (b)	230,000	7.34	108,300
All current directors (other than executive officers) as a group (six persons) (b)	70,000	8.03	
All employees, excluding executive officers, as a group (333 persons)	950,384	7.67	36,782

- (a) Promises to grant restricted stock awards including 25,000, which will be granted two years from the date of promise, and 10,000 to be granted ratably over three years with 1/3 of the shares granted annually on each anniversary of the date of promise.
- (b) Does not include shares owned by directors and executive officers who served as directors and executive officers during all or part of the 2004 fiscal year but were not serving in that capacity as of December 31, 2004.

Limited Transferability of Awards

Awards granted under the Plan generally may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the applicable laws of descent and distribution. However, participants may, in a manner specified by the Committee, transfer

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nonqualified stock options (a) pursuant to a court-approved domestic relations order relating to child support, alimony payments or marital property rights

and (b) by bona fide gift (1) to a member of the participant's immediate family; (2) to a trust or other entity for the sole benefit of the participant and/or his or her immediate family; (3) to a partnership, limited liability company or other entity whose members are the participant and/or his or her immediate family or (4) to certain limited tax-qualified charities.

Amendment and Termination of the Plan

The board generally may amend, suspend or terminate the Plan at any time and for any reason (subject to shareholder consent as may be required by applicable law); provided, however, that no amendment or termination of the plan may alter or impair the rights of a participant with respect to an outstanding Award without his or her consent. Unless terminated earlier by the board of directors, the authority to grant new awards under the Plan will terminate on May 7, 2013. Outstanding awards, as well as the Committee's authority with respect thereto, generally will continue following the expiration or termination of the Plan.

Securities Underlying Awards

The closing price of a share of common stock as of March 15, 2005, was \$4.20 per share.

Federal Tax Aspects

The following paragraphs are a summary of the general federal income tax consequences to U.S. taxpayers and the Company of Awards granted under the Plan. Tax consequences for any particular individual may be different.

Nonqualified Stock Options

No taxable income is recognized when a nonqualified stock option is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value (on the exercise date) of the shares purchased over the exercise price of the option. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

Incentive Stock Options

No taxable income is recognized when an incentive stock option is granted or exercised (except for purposes of the alternative minimum tax, in which case taxation is the same as for nonqualified stock options). If the participant exercises the option and then later sells or otherwise disposes of the shares more than two years after the grant date and more than one year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the shares before the end of the two-or one-year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option and the difference (if any) between the sales price and the fair market value of the shares on the exercise date will be taxed as capital gain.

Stock Appreciation Rights

No taxable income is recognized when a stock appreciation right is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the amount of cash received and the fair market value of any shares received. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

Restricted Stock

A participant will not have taxable income upon grant unless he or she elects to be taxed at that time. Instead, he or she will recognize ordinary income at the time of vesting equal to the fair market value (on the vesting date) of the shares or cash received minus any amount paid for the shares.

Tax Effect for the Company

We generally will be entitled to a tax deduction in connection with an Award under the Plan in an amount equal to the ordinary income realized by a participant at the time the participant recognizes such income (for example, the exercise of a nonqualified stock option). Special rules limit the deductibility of compensation paid to our Chief Executive Officer and to each of our four most highly compensated executive officers. If compensation attributable to Awards to such individuals is not performance-based within the meaning of Section 162(m) of the Code, CTI may not be permitted to deduct aggregate compensation to such individuals to the extent that aggregate non-performance-based compensation exceeds \$1,000,000 per individual in any tax year. Furthermore, if an Award is accelerated under the Plan in connection with a change in control (as this term is used under the U.S. Internal Revenue Code), we may not be permitted to deduct the portion of the compensation attributable to the acceleration (parachute payments) if it exceeds certain threshold limits under the U.S. Internal Revenue Code (and certain related excise taxes may be triggered).

Specific Benefits under the 2003 Plan

As of March 15, 2005, the following chart presents the stock options and restricted stock awards that will be allocated, based on the stated assumptions, to non-employee directors pursuant to the automatic annual stock option and restricted stock award feature for the remaining term of the Plan, subject to any future amendments to the Plan.

<u>Name and Position</u>	<u>Number of Shares Underlying Stock Options (#) (1)</u>	<u>Number of Restricted Shares (#) (2)</u>
James A. Bianco, M.D., President and Chief Executive Officer	N/A	N/A
Steve Aselage, Executive Vice President, Global Commercial Operations	N/A	N/A
Louis A. Bianco, Executive Vice President, Finance and Administration	N/A	N/A
Jack W. Singer, M.D., Executive Vice President, Chief Medical Officer	N/A	N/A
Silvano Spinelli, Executive Vice President of Development and Managing Director of European Operations	N/A	N/A
All current executive officers as a group (seven persons)	N/A	N/A
All directors (other than executive officers) as a group (six persons)	600,000	120,000
All employees, excluding executive officers, as a group (396 persons)	N/A	N/A

- (1) Represents the aggregate number of shares subject to grants of stock options from June 17, 2005 through May 7, 2013, assuming, among other future variables, that there are no new eligible directors, there continues to be six eligible directors (including one Chairman of the board) seated and that the number of shares subject to each annual grant is not increased or decreased. The actual number of shares subject to stock options for initial one-time grants to new directors under this program is not determinable.
- (2) Represents the aggregate number of shares subject to restricted stock awards for from June 17, 2005 through May 7, 2013, assuming, among other future variables, that there are no new eligible directors, there continues to be six eligible directors (including one Chairman of the board) seated and that the number of shares subject to each annual grant is not increased or decreased. The actual number of shares subject to restricted sock awards for initial one-time grants to new directors under this program is not determinable.

Other than the automatic non-employer director awards described above, the number, amount and type of awards to be received by or allocated to eligible persons under the Plan cannot be determined at this time. The Company is not currently considering any specific additional awards under the Plan. For information regarding options granted to executive officers of the Company during fiscal 2004, see the material under the heading

Compensation of Executive Officers below. For information regarding past award grants under the Plan, see the Aggregate Past Grants under the Plan table below.

Aggregate Past Grants Under the 2003 Plan

As of March 15, 2005, awards covering 3,838,678 shares of our common stock had been granted under the Plan. The following table shows information regarding the distribution of those awards among the persons and groups identified below and option exercises and restricted stock vesting prior to, and option and unvested restricted stock holdings as of, that date. The table reflects grants made only pursuant to the 2003 plan and does not include grants made pursuant to either the 1994 plan or the Novuspharma plan.

Name and Position	STOCK OPTIONS			RESTRICTED STOCK	
	Number of Shares Subject to Past Option Grants	Number of Shares Acquired On Exercise	Number of Shares Underlying Options as of March 15, 2005 Exercisable / Unexercisable	Number of Shares Vested as of March 15, 2005	Number of Shares Outstanding and Unvested as of March 15, 2005
James A. Bianco, M.D., President and Chief Executive Officer	125,000		41,667 83,333	110,000	365,000
Steve Aselage, Executive Vice President, Global Commercial Operations	110,000		30,000 80,000	5,000	115,000
Louis A. Bianco, Executive Vice President, Finance and Administration	59,426		19,426 40,000	41,667	163,333
Jack W. Singer, M.D., Executive Vice President, Chief Medical Officer	75,000		25,000 50,000	41,667	163,333
Silvano Spinelli, Executive Vice President of Development and Managing Director of European Operations	38,100		38,100		
All current executive officers as a group (seven persons)	567,526		136,093 431,433	220,001	1,058,299
All directors (other than executive officers) as a group (six persons)	100,000	30,000	70,000		
Each other person who has received 5% or more of the options, warrants or rights under the Plan					
All employees, including all current officers who are not executive officers or directors, as a group	1,397,938		141,491* 1,154,227*	61,740	295,933

* Amount excludes cancelled options.

Summary

We believe strongly that stock-based awards focus our directors on the objective of creating shareholder value and promoting the success of CTI, and that the automatic award of stock options and restricted stock are an important attraction, retention and motivation tool for our non-employee directors. We believe strongly that the proposed amendments will help further our goal of creating shareholder value and will help enable us to continue to be able to attract, retain and reward qualified non-employee directors.

Vote Required and Board of Directors Recommendation

The affirmative vote of the holders of a majority of our outstanding shares of common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required to approve this proposal.

The amendment impacts each non-employee member of our board of directors and thus our non-employee directors have a personal interest in this proposal and its approval by shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL TO AMEND THE 2003 EQUITY INCENTIVE PLAN.

PROPOSAL 3

RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS

The audit committee has approved the appointment of Grant Thornton LLP as our independent auditors for the year ending December 31, 2005, and the board of directors has further directed that we submit the selection of independent auditors for ratification by the shareholders at the Annual Meeting.

On August 31, 2004, Ernst & Young LLP informed us that Ernst & Young LLP had resigned as our independent registered public accounting firm. Ernst & Young LLP had audited our financial statements since 1992. The reports of Ernst & Young LLP on our consolidated financial statements for the years ended December 31, 2002 and 2003 did not contain any adverse opinion, or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. In connection with its audits of our consolidated financial statements for the years ended December 31, 2002 and 2003, and through the subsequent interim periods, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference thereto in its report. There were no reportable events as that term is defined in Item 304(a)(1)(v) of Regulation S-K. We requested Ernst & Young LLP to furnish a letter addressed to the U.S. Securities and Exchange Commission stating whether it agrees with the statements made herein. A copy of that letter dated September 10, 2004 was filed as Exhibit 16.1 to our Form 8-K/A. Ernst & Young LLP did not seek our consent to its resignation. As a result, the audit committee did not recommend or approve the resignation of Ernst & Young LLP.

On October 18, 2004, the audit committee engaged Grant Thornton LLP as our new independent auditors to provide financial audit services effective immediately. Grant Thornton LLP did not audit our financial statements in either 2002 or 2003 or any subsequent interim period and did not perform any services prior to October 18, 2004. Additionally, during 2002 and 2003 and the subsequent interim period through October 18, 2004, we did not consult with Grant Thornton regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

Representatives of Grant Thornton LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

In the event the shareholders fail to ratify the selection, the audit committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the audit committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if the audit committee feels that such a change would be in our and our shareholders' best interests. The selection of Grant Thornton LLP will be effectively ratified at the Annual Meeting if the number of votes cast in favor of the proposal exceeds the number of votes cast in opposition to the proposal.

Vote Required and Board of Directors Recommendation

The affirmative vote of the holders of a majority of our outstanding shares of common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required to approve this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP AS OUR INDEPENDENT AUDITORS.

Audit Committee Report

The audit committee reviews and monitors CTI's financial reporting process on behalf of the board and reviews CTI's system of internal controls and investment policies. We act only in an oversight capacity, however, and it is management that has the primary responsibility for the financial statements, establishing and maintaining adequate internal controls, and the reporting process. Grant Thornton LLP, CTI's independent auditor for 2004, is responsible for expressing opinions on the conformity of CTI's financial statements with general accepted auditing principles, on management's assessment of the effectiveness of CTI's internal control over financial reporting, and on the effectiveness of internal control over financial reporting. Each member of the Audit Committee is an independent director as determined by our board of directors, based on Nasdaq National Market rules and the Securities and Exchange Commission's additional independence requirements for members of audit committees. In addition, the board has determined that Max Link is an audit committee financial expert, as defined by SEC rules.

We operate under a written charter, a copy of which is available on CTI's website at www.cticseattle.com. As more fully described in our charter, the purpose of the audit committee is to assist the board of directors in its oversight and monitoring of CTI's financial statements, internal controls and audit matters. We meet each quarter with Grant Thornton LLP and management to review CTI's interim financial results before the publication of CTI's quarterly earnings press releases. Management's and independent auditors' presentations to and discussions with the audit committee cover various topics and events that may have significant financial impact and/or are the subject of discussions between management and the independent auditors. In accordance with the Sarbanes-Oxley Act, we have ultimate authority and responsibility to select, compensate, evaluate and, when appropriate, replace CTI's independent auditors.

In accordance with existing audit committee policy and the requirements of the Sarbanes-Oxley Act, all services to be provided by Grant Thornton LLP are subject to pre-approval by the audit committee. This includes audit services, audit-related services, tax services and other services. Pre-approval provided by the full audit committee or a subcommittee thereof, relates to a particular category or group of services and is subject to a specific budget. The Sarbanes-Oxley Act prohibits an issuer from obtaining certain non-audit services from its auditing firm so as to avoid certain potential conflicts of interest; we have not in recent years obtained any of these services from Grant Thornton LLP or Ernst and Young LLP, and we are able to obtain such services from other service providers at competitive rates.

In addition, we recommend to the board the appointment of the independent auditors and review their proposed audit scope, approach and independence.

We are not professional accountants or auditors and our duties are not intended to duplicate or to certify the activities of management or the independent auditors. It is not the audit committee's duty to plan or conduct audits or to determine that CTI's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Consequently, the audit committee is not providing any professional certification as to the independent auditors' work or any expert assurance as to the financial statements.

We have reviewed and discussed CTI's audited financial statements with management and Grant Thornton LLP. Management has represented to the audit committee that the financial statements were prepared in accordance with generally accepted accounting principles.

We also discussed with Grant Thornton LLP other matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, we have received from, and discussed with, Grant Thornton LLP their annual written report on their independence from us and our management, as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discussed with the auditors whether the provision of any non-audit services provided to us by them during 2004 were compatible with the auditors' independence.

Based on our discussion with management and the independent auditors and the audit committee's review of the audited financial statements and the representations of management and the independent auditors, we recommended to the board that the audited financial statements be included in CTI's Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

John M. Fluke (Chairman)

Max. E. Link, Ph.D.

Phillip M. Nudelman, Ph.D.

Independent Auditor's Fees and Services

The following table shows the aggregate fees billed for professional services rendered by our principal accountants during the past two fiscal years ended December 31:

Services Rendered	Ernst & Young LLP		Grant Thornton LLP	
	2004	2003	2004	2003
Audit Fees	\$ 318,000	\$ 736,000	\$ 555,000	\$
Audit-Related Fees	233,000	167,000		
Tax Fees	46,000	155,000		

Audit Fees. This category includes fees for professional services provided in conjunction with the audit of our financial statements and with the audit of management's assessment of internal control over financial reporting and the effectiveness of internal control over financial reporting, review of our quarterly financial statements, assistance and review of documents filed with the SEC, consents, and comfort letters and attestation services provided in connection with statutory and other regulatory filings and engagements. The Grant Thornton LLP 2004 amount includes \$251,000 for services rendered in connection with the audit of management's assessment of internal control over financial reporting and the effectiveness of internal control over financial reporting.

Audit Related Fees. This category includes fees for assurance and related professional services associated with due diligence related to mergers and acquisitions, consultation on accounting standards or transactions, internal control reviews and assistance with internal control reporting requirements, services related to the audit of employee benefit plans, and other attestation services not required by statute or regulation.

Tax Services. This category includes fees for professional services provided related to tax compliance, tax planning and tax advice.

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Pre-Approval Policy. Pursuant to our Audit and Non-Audit Services Pre-Approval Policy, which is approved by the Audit Committee on an annual basis, the audit committee pre-approves all auditing services and non-audit services not prohibited by law to be performed by our independent auditors. The audit committee also pre-approves all associated fees, except for de minimus amounts for non-audit services, which are approved by the audit committee prior to the completion of the audit.

Equity Compensation Plan Information

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing compensation plans as of December 31, 2004, including the 2003 Equity Incentive Plan, Novuspharma Plan, the 1994 Equity Incentive Plan and the 1996 Employee Stock Purchase Plan.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))	(d) Total of Securities Reflected in Columns (a) and (c)
Plans Approved by Shareholders	5,728,969(1)	\$ 15.12	4,310,490(2)	10,039,459
Plans Not Approved by Shareholders	662,790(3)	\$ 14.39	None	662,790
Plans Not Approved by Shareholders (Novuspharma)	230,100(4)	\$ 9.13	119,900	350,000

- (1) Consists of the 2003 Equity Incentive Plan and the 1994 Equity Incentive Plan.
- (2) Consists of 4,031,133 shares available for future issuance under the 2003 Equity Incentive Plan and 279,357 shares available for future issuance under the 1996 Employee Stock Purchase Plan.
- (3) Consists of warrants to purchase 350,000 shares and 103,665 restricted share rights issued in connection with a license agreement with PG-TXL Company, L.P., warrants to purchase 109,125 shares issued to a placement agent in connection with private placement of our stock, and warrants to purchase 100,000 shares issued in connection with a research services agreement with The Hope Heart Institute.
- (4) Consists of the Novuspharma Plan adopted in connection with the merger between CTI and Novuspharma.

License Agreement with PG-TXL Company, L.P.

In 1998, we issued fully-vested warrants to purchase 350,000 shares of our common stock in connection with a license agreement with PG-TXL Company, L.P. These warrants expire in 2008 and have an exercise price of \$20.00. We also issued 103,665 restricted share rights to non-employees for which ownership vests upon the achievement of future events. No warrants have been exercised.

Warrants Issued to Placement Agents

In 2000, we completed a \$40.0 million private placement of common stock. In connection with the offering, we issued fully-vested warrants to purchase 170,000 shares of common stock to a placement agent and finder. As of December 31, 2004, there were 109,125 warrants outstanding. These warrants expired in February 2005, and had an exercise price of \$13.20.

Research Services Agreement with The Hope Heart Institute

In 2002, we entered into an agreement with The Hope Heart Institute for research services, which we terminated in 2004. In connection with this agreement, we issued 100,000 fully-vested warrants to purchase shares of common stock at an exercise price of \$10.00. These warrants expire in 2007, and no warrants have been exercised. Phillip M. Nudelman, Ph.D., is a member of our board of directors and our audit committee, and President, Chief Executive Officer and a member of the board of directors of The Hope Heart Institute. Richard E. Leigh, Jr., our Executive Vice President, General Counsel, joined the board of directors of The Hope Heart Institute in March 2005.

Cell Therapeutics, Inc. Novuspharma S.p.A. Stock Option Plan

In December 2003, the Board of Directors approved the assumption and amendment and restatement of the Cell Therapeutics, Inc. Novuspharma S.p.A. Stock Option Plan (the Plan) in connection with the merger between CTI and Novuspharma. The Plan provides for the grant of nonqualified stock options and restricted stock to certain of our officers, employees, members of our Board of Directors and consultants. The plan administrator determines, on a grant-by-grant basis, what terms and conditions apply to options and restricted stock granted under the Plan (including vesting restrictions). The Plan permits options to be exercised with cash or certain other legal forms of consideration. In the event of our change of control (including our merger with or into another corporation or our sale of substantially all of our assets), the Plan provides that we may determine, in our discretion, that each optionee may vest in his or her option or restricted stock award with respect to any or all of the shares subject to the award (including shares that were unvested prior to the change of control) and that such awards may otherwise be assumed or substituted for by the successor corporation. There are 350,000 shares of common stock reserved under the Plan, and as of December 31, 2004, there were 119,900 shares available for future issuance.

Executive Officers

The following table sets forth certain information with respect to our executive officers:

Name	Age as of March 31, 2005	Position
James A. Bianco, M.D.	48	President, Chief Executive Officer, Director
Stephen J. Aselage	53	Executive Vice President, Global Commercial Operations
Louis A. Bianco	52	Executive Vice President, Finance and Administration
James Canfield (resigned in April 2005)	47	Executive Vice President, Chief Administrative Officer
Richard E. Leigh, Jr.	45	Executive Vice President, General Counsel
Jack W. Singer, M.D.	62	Executive Vice President, Chief Medical Officer, Director
Silvano Spinelli	53	Executive Vice President of Development and Managing Director of European Operations, Director

See Proposal 1, which sets forth biographical information for all our directors, including biographical information concerning Drs. Bianco, and Singer and Mr. Spinelli, who are each directors of CTI as well as executive officers.

Mr. Bianco is one of our founders and has been our executive vice president, finance and administration since February 1, 1992, and was a director from our inception in September 1991 to April 1992 and from April 1993 to April 1995. From January 1989 through January 1992, Mr. Bianco was a vice president at Deutsche Bank Capital Corporation in charge of risk management. Mr. Bianco is a Certified Public Accountant and received his M.B.A. from New York University. Mr. Bianco and Dr. Bianco are brothers.

Mr. Aselage has been our executive vice president, global commercial operations since February 2004. From February 1999 to January 2004 he was senior vice president, North American sales and marketing at Sangstat, which was acquired by Genzyme in December 2003. He received his B.S. in biology from the University of Notre Dame.

Mr. Canfield has been our executive vice president, chief administrative officer from December 2001 through April 2005. Effective April 1, 2005, Mr. Canfield resigned as the Company's Executive Vice President, Chief Administrative Officer. From May 2001 to December 2001, Mr.

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Canfield served as our vice president, human resource development and administrative services. From September 1999 to May 2001, Mr. Canfield was

a senior consultant at Cobus Group and from April 1996 to August 1999, served as the head of human resources at Sonus Pharmaceuticals, Inc. Additionally, he has held senior human resource positions at Northern Automotive Corporation and Lucky Stores. Mr. Canfield received his B.S. degree in human resources management from Kennedy Western University.

Mr. Leigh has been our executive vice president, general counsel since August 2004. From December 2000 to July 2004, Mr. Leigh served as vice president and general counsel at Vulcan Inc., and from August 1997 to November 2000, was vice president and general counsel for the NFL's Seattle Seahawks. In addition, from October 1989 to August 1997, he spent eight years as a corporate attorney with the Seattle law firm of Foster Pepper & Shefelman, PLLC. Mr. Leigh currently serves on the board of directors of The Hope Heart Institute. Mr. Leigh received his B.A. at Brown University in Providence, Rhode Island, his M.A. in International Politics from The Johns Hopkins University School of Advanced International Studies in Washington, D.C., and a J.D. from Columbia University School of Law in New York.

Compensation of Executive Officers

The following table sets forth all compensation earned in the years ended December 31, 2004, 2003, and 2002 by our chief executive officer and our four other most highly compensated executive officers as of December 31, 2004, who we will collectively refer to as the named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards		
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(1)	Restricted Stock Awards (\$)(2)	Securities Underlying Options (#)	All Other Compensation (\$)
James A. Bianco, M.D. President and Chief Executive Officer	2004	460,297	306,832	162,518(3)	139,000		43,588(4)
	2003	460,297	295,822	113,036(3)	2,128,200	125,000	56,310(4)
	2002	433,008	318,730	99,355(3)		309,749	23,015(4)
Steve Aselage Executive Vice President, Global Commercial Operations	2004	285,083	100,833		154,100	110,000	1,139(5)
	2003						
	2002						
Louis A. Bianco Executive Vice President, Finance and Administration	2004	300,120	120,048	5,959(6)	104,250		7,326(7)
	2003	300,120	81,997	5,550(6)	751,800	60,000	2,349(7)
	2002	300,120	88,565			88,025	10,651(7)
Jack W. Singer, M.D. Executive Vice President, Chief Medical Officer	2004	309,747	95,253	21,551(6)	104,250		30,086(8)
	2003	302,000	106,703	25,583(6)	751,800	75,000	37,510(8)
	2002	260,016	109,424			110,659	15,024(8)

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Silvano Spinelli	2004	251,209	87,080	301,100	20,000	2,854(9)
	2003					
Executive Vice President,	2002					
Development and Managing						
Director of European Operations						

- (1) Other annual compensation in the form of perquisites and other personal benefits has been omitted where the aggregate amount of the perquisites and other personal benefits constituted the lesser of \$50,000 or 10% of the total annual salary and bonus for the named executive officer for the applicable year.
- (2) In 2004, we granted 70,000 shares of restricted stock to the Named Executive Officers. Additionally, promises to grant 35,000 shares of restricted stock were approved in 2004. All restricted share awards issued during 2004 are valued in the above table at the closing price of our common stock on the date of issuance

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and will accrue any future dividends declared and are set forth in the table below at market value. The market value is based on the closing price of \$8.14 for a share of our common stock on December 31, 2004.

Name	Number of Shares				Total Market Value (\$)
	(a)	(b)	(c)	(d)	
James A. Bianco, M.D.	20,000				162,800
Steve Aselage		10,000	10,000		162,800