

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

In re CELL THERAPEUTICS, INC.

CLASS ACTION LITIGATION

This Document Relates To: All Actions

Master Docket No. C10-414 MJP

(consolidated with Nos. C10-480 MJP and C10-559MJP)

CLASS ACTION

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION**

**To: All persons and entities who purchased the common stock of Cell Therapeutics, Inc. between March 25, 2008 and March 22, 2010, both dates inclusive.**

**PLEASE READ THIS NOTICE CAREFULLY.**

**YOUR RIGHTS WILL BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.**

PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE, YOU MUST TIMELY **SUBMIT A VALID PROOF OF CLAIM POSTMARKED NO LATER THAN JULY 28, 2012**, IN CONNECTION WITH THIS SETTLEMENT. A PROOF OF CLAIM ACCOMPANIES THIS NOTICE. IF YOU NEED AN ADDITIONAL PROOF OF CLAIM YOU MAY REQUEST ONE FROM THE CLAIMS ADMINISTRATOR, AS EXPLAINED BELOW.

**I. SUMMARY OF THIS NOTICE**

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Western District of Washington (the "Court"). The purpose of this Notice is to inform you of the proposed settlement of a class action lawsuit (the "Action"), as set forth in the Stipulation of Settlement ("Stipulation" or "Settlement"), and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement. This Notice is not intended to be, and should not be understood as, an expression of any opinion by the Court concerning the merits of the Action. This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement.

The proposed Settlement creates a fund in the amount of \$19,000,000 in cash before deductions of attorneys' fees, costs, and expenses. Lead Plaintiffs Satish Shah, David Gipson, and Xavian L. Draper ("Lead Plaintiffs" or "CTIC Investor Group") and defendants Cell Therapeutics, Inc. ("CTI"), James A. Bianco, M.D., Louis A. Bianco, and Craig W. Philips ("Defendants") disagree on the potential liability of Defendants and they do not agree on the average amount of damages per share, if any, that would be recoverable if Lead Plaintiffs were to have prevailed at trial on each claim alleged. Lead Plaintiffs and Lead Counsel (as defined below) believe that the proposed Settlement is an excellent recovery and is in the best interests of the Class (as defined below) in light of the risks associated with continuing to litigate and proceeding to trial. The Class, as certified by the Court for the purposes of settlement on March 16, 2012 consists of all Persons (as defined on page 2) (other than those Persons who timely and validly request exclusion from the Class) who purchased the common stock of Cell Therapeutics, Inc. between March 25, 2008 and March 22, 2010 (the "Class Period"), both dates inclusive, excluding Defendants, members of the immediate families of James A. Bianco, M.D., Louis A. Bianco, and Craig W. Philips (the "Individual Defendants"), the directors, officers, subsidiaries, and affiliates of CTI, any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest, and the legal representatives, affiliates, heirs, successors-in-interest or assigns of any such excluded person (the "Class").

If the Settlement is approved by the Court, Brower Piven, A Professional Corporation, 488 Madison Ave., 8<sup>th</sup> Floor, New York, NY 10022 ("Lead Counsel") and Zwerling, Schachter & Zwerling, LLP, 1904 Third Avenue, Suite 1030, Seattle, WA 98101-1170 ("Liaison Counsel") (collectively, "Plaintiffs' Counsel") will apply to the Court for an award of attorneys' fees not to exceed 33.33% of the Settlement Fund (as defined below) and reimbursement of out-of-pocket expenses as compensation for successfully prosecuting the Action. You may contact the claims administrator, the firm The Garden City Group, Inc. ("Claims Administrator"), or a representative of Lead Counsel for further information about the Settlement; see below under "Further Information" for the contact information.

**Statement of Lead Plaintiffs' Recovery** – The proposed Settlement with Defendants creates a fund in the amount of \$19,000,000 in cash, which will include interest that accrues prior to distribution (the "Settlement Fund"). Based on Lead Counsel's estimate of the number of shares of stock that may have been damaged by the alleged fraud, and assuming that all those shares participate in the Settlement, Lead Plaintiffs estimate that the average recovery would be approximately \$0.0475 per share. Your recovery from this fund, however, will depend on a number of variables, including the number of shares of CTI common stock you purchased during the Class Period, the timing of your purchases and any sales, the number and amount of claims actually filed, and the estimate of recoverable losses based on the analysis of Lead Plaintiffs' damages consultant. You are advised to review the Plan of Allocation set forth on pages 5 to 7 below in the Notice, which provides the actual formulas that will be applied to claims submitted by each eligible individual, corporation, partnership, limited partnership, association, joint stock company, joint venture, limited liability company, professional corporation, estate, legal representative, heir, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity, and their predecessors, successors, representatives, or assignees ("Person") who falls within the definition of the Class ("Class Member"). This estimate above is also before deduction of any Court-awarded expenses, such as attorneys' fees and out-of-pocket expenses, and the cost of sending this Notice and administering the distribution of the settlement proceeds.

**Statement of Potential Outcome of Case** – Lead Plaintiffs and Defendants disagree on the potential liability of Defendants and they do not agree on the average amount of damages per share, if any, that would be recoverable if Lead Plaintiffs were to have prevailed at trial on each claim alleged. Defendants deny that they are liable in any respect or that Lead Plaintiffs suffered any injury. The issues on which the parties disagree include: (1) whether any Defendant engaged in any conduct subject to challenge under the federal securities laws; (2) the amount by which CTI common stock was allegedly artificially inflated (if at all) during the Class Period (as defined below); (3) the effect of various market forces influencing the trading price of CTI common stock at various times during the Class Period; (4) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of CTI common stock during the Class Period; (5) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of CTI common stock during the Class Period; (6) whether the statements made or facts allegedly omitted were material, false, misleading, or otherwise actionable under the securities laws; and (7) whether, even if liability could be proven, total damages would be greater than \$0.

**Statement of Attorneys' Fees and Costs Sought** – Plaintiffs' Counsel have committed a substantial amount of time prosecuting claims against Defendants on behalf of Lead Plaintiffs and the Class. In addition, they have not been reimbursed for out-of-pocket expenses. If the Settlement is approved by the Court, Plaintiffs' Counsel will apply to the Court for an award of attorneys' fees not to exceed 33.33% of the Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$100,000, to be paid from the Settlement Fund. If the amounts described above are requested and approved by the Court, the average cost per share will be less than \$0.0161 per share. In addition, Plaintiffs' Counsel may apply to the Court, from time to time, for their fees and expenses, including hourly time billing incurred solely for administration of the Settlement.

**Reasons for Settlement** – Lead Plaintiffs believe that the proposed settlement with Defendants is an excellent recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that the Class would not have prevailed on their claims against Defendants, in which case the Class would receive nothing from Defendants. The amount of damages recoverable by the Class was and is challenged by Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Action gone to trial, Defendants would have asserted that all or most of the losses of Class Members were caused by non-actionable conduct or market, industry, or general economic factors. Defendants would also assert, among other things, that their conduct complied with all applicable legal standards and that they did not act with the required state of mind to be liable for any violations of the federal securities laws.

**Further Information** – You may contact a representative of Lead Counsel for further information about the Settlement by calling the following toll-free number: 877-519-0810. You also may email Lead Counsel at the following email address: CellTherapeutics@gcginc.com. Any written inquiries about the Action should be addressed to Lead Counsel at:

*In re Cell Therapeutics, Inc., Class Action*  
c/o GCG  
PO Box 9861  
Dublin, OH 43017-5761

## **II. NOTICE OF HEARING ON PROPOSED SETTLEMENT**

A settlement hearing will be held on July 20, 2012, at 1:30 PM, before the Hon. Marsha J. Pechman, United States District Judge, at the United States Courthouse, 700 Stewart Street, Seattle, Washington 98101 (the "Settlement

Hearing"). The purpose of the Settlement Hearing will be: (1) to determine whether the Court should grant certification to the Class pursuant to Fed. R. Civ. P. 23(a) and (b)(3); (2) to determine whether the Settlement consisting of \$19,000,000 in cash should be approved as fair, reasonable, and adequate to the Class and the proposed Judgment (as defined on page 8) entered; (3) to determine whether the proposed Plan of Allocation for the proceeds of the settlement is fair and reasonable, and should be approved by the Court; (4) to determine whether any applications for attorneys' fees or expenses to Plaintiffs' Counsel should be approved; and (5) to rule upon such other matters as the Court may deem appropriate. The Court may adjourn or continue the Settlement Hearing without further notice to the Class.

### **III. THE LITIGATION**

Currently pending before the United States District Court for the Western District of Washington is a consolidated action on behalf of all persons who purchased the common stock of Cell Therapeutics, Inc. during a defined period of time. The defendants named in the Action are Cell Therapeutics, Inc.; James A. Bianco, M.D., CTI's Chief Executive Officer; Craig W. Philips, CTI's President; and Louis A. Bianco, CTI's Executive Vice President, Finance and Administration.

On March 12, 2010, plaintiff Cyril Sabbagh filed a complaint in the United States District Court for the Western District of Washington captioned *Cyril Sabbagh v. Cell Therapeutics, Inc., Dr. James A. Bianco, M.D., and Dr. Jack W. Singer, M.D.*, No. C10-414 MJP. By Court Order dated August 2, 2010, the above-referenced case was consolidated with all other related actions then pending, and ordered to proceed under the caption *In re Cell Therapeutics, Inc. Class Action Litigation*, No. C10-414 MJP. By the same Order, dated August 2, 2010, Satish Shah, David Gipson, and Xavian L. Draper were appointed as Lead Plaintiff pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA"). By the same Order of the Court, dated August 2, 2010, David A.P. Brower of Brower Piven, A Professional Corporation, was appointed as Lead Counsel for the Class, and Zwering, Schachter & Zwering, LLP was appointed as Liaison Counsel for the Class.

On September 27, 2010, Lead Plaintiffs filed their Consolidated Amended Class Action Complaint for Violation of the Federal Securities Laws ("Complaint") alleging, *inter alia*, false and misleading statements by Defendants in connection with the approval process for one of CTI's drugs, Pixantrone. The Complaint is the currently operative complaint in this Action. On October 27, 2010, Defendants filed their motion to dismiss Lead Plaintiffs' Complaint. On February 4, 2011, the Court denied Defendants' motion in large part.

During the course of litigation, Lead Plaintiffs conducted extensive discovery. Defendants produced to Lead Plaintiffs for their review more than 245,000 pages of documents. In addition, Lead Plaintiffs issued subpoenas to over a dozen third-parties, and received and reviewed more than 40,000 pages of documents in response to these subpoenas. Lead Plaintiffs also reviewed extensive collections of audio and video files produced by Defendants.

On October 26, 2011, the parties participated in a full-day mediation with the Honorable Nicholas H. Politan (Ret.) presiding. During the course of this mediation, the parties reached an agreement-in-principle to resolve this Action. Subsequently, the parties continued negotiations and reached an agreement to settle the Action on the terms set forth in the Stipulation.

### **IV. CLAIMS OF THE CLASS AND BENEFITS OF SETTLEMENT**

Lead Plaintiffs believe that the claims asserted in the Action against Defendants have merit and that the evidence developed to date supports those claims. However, Lead Plaintiffs recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against Defendants through trial and through appeals. Lead Plaintiffs also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Action, as well as the difficulties and delays inherent in such litigation. Lead Plaintiffs also are mindful of the inherent difficulties of proof under and possible defenses to the securities law violations asserted in the Action. The Lead Plaintiffs believe that the settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, the Lead Plaintiffs have determined that the settlement set forth in the Stipulation is in the best interests of the Class.

### **V. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Action. Defendants also continue to believe the claims asserted against them in the Complaint are without merit. Defendants also have denied and continue to deny, among other things, the allegations that the Lead Plaintiffs or the Class have suffered damages, that the prices of CTI securities were artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, and that the Lead Plaintiffs or the Class were harmed by the conduct alleged in the Complaint or

its predecessor complaints. Nonetheless, Defendants have agreed to enter into the Settlement solely to avoid the expense, distraction, and time associated with continuing the Action. Defendants have concluded that further conduct of the Action would be protracted and expensive and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases such as this Action. Defendants have, therefore, determined that it is desirable and beneficial to them that the Action be settled in the manner and upon the terms and conditions set forth in this Stipulation.

#### **VI. TERMS OF THE PROPOSED SETTLEMENT**

CTI has paid, or caused to be paid, cash in the amount of \$19,000,000 into an escrow account, which will earn interest for the benefit of the Class, pursuant to the terms of the Stipulation. In exchange for such payment, the Released Claims (as defined on page 8) will be released, discharged, and dismissed with prejudice as against each of the Released Persons (as defined on page 8). A portion of the Settlement Fund will be used for certain administrative expenses, including the costs of printing and mailing this Notice, the cost of publishing newspaper notices, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained herein, a portion of the Settlement Fund may be awarded by the Court to award Plaintiffs' Counsel attorneys' fees and expenses. The Settlement Fund less (i) any Court-awarded attorneys' fees, costs, and expenses; (ii) notice and administration costs; (iii) taxes and tax expenses; and (iv) other Court-approved deductions that occur before distribution of the proceeds of the settlement to the Class ("Net Settlement Fund"), will be distributed to any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation ("Authorized Claimant") according to the Plan of Allocation described below.

#### **VII. REQUESTING EXCLUSION FROM THE CLASS**

If you do not wish to be included in the Class and you do not wish to participate in the proposed settlement described in this Notice you may request to be excluded. To do so, you must send a letter, postmarked no later than **June 15, 2012**. In this letter, you must set forth: (a) your name, current address, and day-time and evening telephone numbers; (b) the dates of all your purchases and/or sales of CTI common stock during the Class Period; (c) the number of shares purchased and/or sold on each such date; (d) the prices paid and/or received for all such shares on each such date; and (e) a clear and unambiguous statement that you wish to be excluded from the Class. The request for exclusion should be addressed as follows:

*In re Cell Therapeutics, Inc.*, Class Action  
c/o GCG  
PO Box 9861  
Dublin, OH 43017-5761

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST. NO FURTHER OPPORTUNITY TO REQUEST EXCLUSION WILL BE GIVEN IN THIS ACTION.

If you validly request exclusion from the Class: (a) you will be excluded from the Class; (b) you shall have no rights under the Stipulation; (c) you shall not be entitled to submit any Proof of Claim forms; (d) you will not share in the proceeds of the settlement described herein; (e) you will not be bound by any judgment entered in the Action; and (f) you will not be precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely, against the Defendants based on the matters complained of in the Action.

#### **VIII. THE RIGHTS OF CLASS MEMBERS**

If you are a Class Member, you may receive the benefit of, and you will be bound by, the terms of the proposed settlement described in this Notice, upon the Court's approval of it.

If you are a Class Member, you have the following options:

1. You may file a Proof of Claim. If you submit a Proof of Claim, you will share in the proceeds of the proposed settlement if your claim is valid and if the proposed settlement is finally approved by the Court. In addition, you will be bound by the Judgment and release described below.
2. You may object to the Settlement, unless you have previously requested to be excluded from the Class. (See Section XIV, below). However, if your objection is rejected, you will be bound by the Settlement and the Judgment just as if you had not objected.

3. You may do nothing at all. If you choose this option, you will not share in the proceeds of the Settlement, but you will be bound by any judgment entered by the Court in connection with the Settlement, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Released Claims against the Released Persons.
4. If you are a Class Member, you may, but are not required to, enter an appearance through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Lead Counsel, who are:

David A.P. Brower  
Daniel I. Wolf  
**Brower Piven**  
**A Professional Corporation**  
488 Madison Avenue  
New York, NY 10022

You will not be charged personally for the services of Lead Counsel.

### **IX. PLAN OF ALLOCATION**

The Net Settlement Fund will be distributed to Class Members who submit valid and timely Proofs of Claim in connection with this Settlement, and have an allowable loss under the Plan of Allocation described below. You will be eligible to participate in the distribution only to the extent you had a net loss on your overall transactions in shares of CTI common stock during the Class Period. If you had a net gain from your overall transactions in CTI common stock during the Class Period, the value of the Recognized Loss will be zero. If you suffered a net loss on your overall transactions in CTI common stock during the Class Period, but that loss was less than the Recognized Loss calculated below, then the Recognized Loss shall be limited to the amount of the actual loss. For purposes of determining whether you had a net gain or suffered a net loss from your overall transactions in CTI common stock that will receive payment under this Plan of Allocation during the Class Period, the Claims Administrator shall: (i) total the amount paid for all CTI common stock purchased during the Class Period by the claimant (the "Total Purchase Amount"); (ii) match any sales of CTI common stock purchased during the Class Period first against the Class Member's opening position in such common stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining shares of CTI common stock sold during the Class Period (the "Sales Proceeds"); and (iv) ascribe a \$0.56 per common share holding value for the number of shares of CTI common stock purchased during the Class Period and still held at the end of the Class Period ("Holding Value"). The Holding Value is based upon the closing price of CTI common stock on March 23, 2010 – the first full trading day after the end of the Class Period. The difference between (i) the Total Purchase Amount and the (ii) sum of the Sales Proceeds and Holding Value, will be deemed your net gain or net loss on your overall transactions in CTI common stock during the Class Period.

In the event that a Class Member made more than one purchase or sale of CTI common stock, all purchases and sales shall be matched on a First-In-First-Out ("FIFO") basis. Class Period sales will be matched first against any CTI common stock held at the beginning of the Class Period and then against purchases during the Class Period in chronological order. For all purposes, the transaction date and not the settlement date shall be used as the date for determining eligibility to file a claim. Gifts and transfers of securities are not eligible purchases. The covering purchase of a "short" sale is not an eligible purchase. No distributions will be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel have consulted with their damages expert. The Court may modify the Plan of Allocation without further notice to the Class. The Court has also reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth below shall be conclusive against all Authorized Claimants. No Person shall have any claim against the Defendants and the Lead Plaintiffs on behalf of themselves and the Class (collectively the "Settling Parties"), Plaintiffs' Counsel, or the Claims Administrator or other Person designated by Lead Counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who have failed to complete and file a valid and timely Proof of Claim in this Settlement shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of the Judgment entered and the releases given.

Subject to the foregoing, under the Plan of Allocation, each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Recognized Loss bears to the total of the Recognized Loss of all Authorized Claimants ("pro rata share").

Calculation of Recognized Loss for Cell Therapeutics, Inc. Common Stock Purchases:

- A. For each share of common stock of Cell Therapeutics, Inc. acquired between March 25, 2008 and February 7, 2010 and held on June 18, 2010, the Recognized Loss for each such share shall be ***the lesser of:***
  - i. \$0.59; or
  - ii. The price paid less \$0.52.
- B. For each share of common stock of Cell Therapeutics, Inc. acquired between March 25, 2008 and February 7, 2010 and sold between February 8, 2010 and March 21, 2010, the Recognized Loss for each such share shall be ***the lesser of:***
  - i. \$0.42; or
  - ii. The price paid less the price received; or
  - iii. The price paid less the price on the date of sale set forth in Table A.
- C. For each share of common stock of Cell Therapeutics, Inc. acquired between March 25, 2008 and February 7, 2010 and sold between March 22, 2010 and June 18, 2010, the Recognized Loss for each such share shall be ***the lesser of:***
  - i. \$0.59; or
  - ii. The price paid less the price received; or
  - iii. The price paid less the price on the date of sale set forth in Table B.
- D. For each share of common stock of Cell Therapeutics, Inc. acquired between February 8, 2010 and March 21, 2010 and held on June 18, 2010, the Recognized Loss for each such share shall be ***the lesser of:***
  - i. \$0.44; or
  - ii. The price paid less \$0.52.
- E. For each share of common stock of Cell Therapeutics, Inc. acquired between February 8, 2010 and March 21, 2010 and sold between March 22, 2010 and June 18, 2010, the Recognized Loss for each such share shall be ***the lesser of:***
  - i. \$0.44; or
  - ii. The price paid less the price received; or
  - iii. The price paid less the price on the date of sale set forth in Table B.
- F. For each share of common stock of Cell Therapeutics, Inc. acquired between March 25, 2008 and February 7, 2010 and sold between March 25, 2008 and February 7, 2010, the Recognized Loss for each such share shall be:
  - i. \$0.00.
- G. For each share of common stock of Cell Therapeutics, Inc. acquired between February 8, 2010 and March 21, 2010 and sold between February 8, 2010 and March 21, 2010, the Recognized Loss for each such share shall be:
  - i. \$0.00.

For all purposes, the transaction date, and not the settlement date, shall be used as the date for determining inflation per share, eligibility to file a claim, and the calculation of Recognized Losses. All purchases and sales of Cell Therapeutics, Inc. common shares shall be accounted for and matched using the FIFO method of accounting.

Additionally, the Plan of Allocation will account for the reverse stock split that occurred on August 31, 2008, whereby every ten shares of CTI common stock were converted into one share of CTI common stock. All calculations under the Plan of Allocation will be based off the post-split prices of CTI stock, and will account accordingly for stock purchased prior to the reverse stock split.

**Table A:**

02/08/2010	\$0.64
02/09/2010	\$0.71
02/10/2010	\$0.73
02/11/2010	\$0.74
02/12/2010	\$0.74
02/16/2010	\$0.73
02/17/2010	\$0.72
02/18/2010	\$0.72
02/19/2010	\$0.72
02/22/2010	\$0.72
02/23/2010	\$0.71
02/24/2010	\$0.71
02/25/2010	\$0.71
02/26/2010	\$0.71
03/01/2010	\$0.71
03/02/2010	\$0.71
03/03/2010	\$0.70
03/04/2010	\$0.71
03/05/2010	\$0.72
03/08/2010	\$0.74
03/09/2010	\$0.76
03/10/2010	\$0.77
03/11/2010	\$0.78
03/12/2010	\$0.79
03/15/2010	\$0.80
03/16/2010	\$0.81
03/17/2010	\$0.82
03/18/2010	\$0.82
03/19/2010	\$0.83
03/20/2010	\$0.83
03/21/2010	\$0.83

**Table B:**

03/22/2010	\$0.47
03/23/2010	\$0.56
03/24/2010	\$0.59
03/25/2010	\$0.61
03/26/2010	\$0.61
03/29/2010	\$0.61
03/30/2010	\$0.61
03/31/2010	\$0.60
04/01/2010	\$0.59
04/05/2010	\$0.59
04/06/2010	\$0.58
04/07/2010	\$0.58
04/08/2010	\$0.59
04/09/2010	\$0.59
04/12/2010	\$0.59
04/13/2010	\$0.60
04/14/2010	\$0.60
04/15/2010	\$0.60
04/16/2010	\$0.61
04/19/2010	\$0.61
04/20/2010	\$0.61
04/21/2010	\$0.61
04/22/2010	\$0.62
04/23/2010	\$0.62
04/26/2010	\$0.62
04/27/2010	\$0.62
04/28/2010	\$0.62
04/29/2010	\$0.62
04/30/2010	\$0.62
05/03/2010	\$0.62
05/04/2010	\$0.61
05/05/2010	\$0.61

**Table B (continued):**

05/06/2010	\$0.61
05/07/2010	\$0.60
05/10/2010	\$0.60
05/11/2010	\$0.60
05/12/2010	\$0.60
05/13/2010	\$0.60
05/14/2010	\$0.59
05/17/2010	\$0.59
05/18/2010	\$0.59
05/19/2010	\$0.58
05/20/2010	\$0.58
05/21/2010	\$0.58
05/24/2010	\$0.57
05/25/2010	\$0.57
05/26/2010	\$0.56
05/27/2010	\$0.56
05/28/2010	\$0.56
06/01/2010	\$0.55
06/02/2010	\$0.55
06/03/2010	\$0.54
06/04/2010	\$0.54
06/07/2010	\$0.54
06/08/2010	\$0.53
06/09/2010	\$0.53
06/10/2010	\$0.53
06/11/2010	\$0.52
06/14/2010	\$0.52
06/15/2010	\$0.52
06/16/2010	\$0.52
06/17/2010	\$0.52
06/18/2010	\$0.52

**X. PARTICIPATION IN THE SETTLEMENT**

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN A VALID PROOF OF CLAIM IN CONNECTION WITH THIS SETTLEMENT.

A Proof of Claim is being sent with this Notice. If you are a Class Member and need an additional Proof of Claim, copies may be obtained by telephoning the Claims Administrator at 877-519-0810 or by downloading the form on the Internet at [www.gcginc.com](http://www.gcginc.com).

The Proof of Claim, with all supporting documents (DO NOT SEND ORIGINALS), must be postmarked no later than July 28, 2012, and delivered to the Claims Administrator at the address below. DO NOT SEND a Proof of Claim to counsel for the Settling Parties or the Court.

*In re Cell Therapeutics, Inc.*, Class Action  
c/o GCG  
PO Box 9861  
Dublin, OH 43017-5761  
877-519-0810

Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payment from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment. The Court may disallow or adjust the claim of any Class Member. Each claimant will be deemed to have submitted to the jurisdiction of the United States District Court for the Western District of Washington with respect to his, her, or its Proof of Claim.

#### **XI. DISMISSAL AND RELEASES**

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to the Released Persons, as such terms are defined below. The Judgment will provide that all Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Persons and that the Released Persons shall be deemed to have released and discharged all Released Persons' Claims against Lead Plaintiffs, Plaintiffs' Counsel, and Class Members.

"Released Claims" means any and all claims, debts, demands, rights, liabilities, and causes of action of every nature and description whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or un-accrued, liquidated or unliquidated, at law or in equity, matured or unmatured, including, without limitation, claims arising under Sections 10(b) or 20(a) of the Securities Exchange Act of 1934 and claims for control person liability, whether class or individual in nature, including both known claims and Unknown Claims (as defined below), whether or not concealed or hidden that (i) have been asserted in this Action or in the Complaint by the Lead Plaintiffs against any of the Released Persons (as defined below), or (ii) could have been asserted in the Action or any other forum by the Lead Plaintiffs or any Class Members against any of the Released Persons which arise out of, or are based upon or related in any way to, the allegations, transactions, facts, matters or occurrences, representations or omissions involved in the Action, or set forth or referred to in the Complaint, and that relate to the purchase of CTI common stock during the Class Period.

"Released Persons" means each and all of the Defendants and their Related Parties. "Related Parties" means each of a Defendant's past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, advisors, investment advisors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, agents, assigns, spouses, marital communities, heirs, executors, estates, administrators, related or affiliated persons or entities, any entity in which a Defendant has a controlling interest, any members of any Individual Defendant's immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant's family.

"Unknown Claims" means any Released Claims which any Lead Plaintiff or any Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Persons which, if known by him, her, or it, might have affected his, her, or its settlement with and release of the Released Persons, or might have affected his, her, or its decisions with respect to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs shall expressly waive and relinquish, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived and relinquished, the provisions, rights, and benefits of California Civil Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiffs shall expressly waive and relinquish, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived and relinquished, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code § 1542. Lead Plaintiffs and Class Members may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiffs upon the Effective Date shall expressly, fully, finally, and forever settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs acknowledge, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

## **XII. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES**

At the Settlement Hearing, Lead Counsel will request that the Court award attorneys' fees in an amount not to exceed 33.33% of the Settlement Fund, plus their costs and expenses in an amount not to exceed \$100,000, which were incurred and not previously reimbursed in connection with prosecuting the claims in the Action, plus interest. Plaintiffs' Counsel's fee application will be filed with the Court on May 15, 2012 and will available for download at [www.gcginc.com](http://www.gcginc.com) immediately following that date. All such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees, costs, or expenses.

Plaintiffs' Counsel have committed a substantial amount of time prosecuting claims on behalf of Lead Plaintiffs and the Class. In addition, they have not been reimbursed for any of their costs and expenses. The amounts requested by Plaintiffs' Counsel will compensate counsel for their efforts in achieving the Settlement for the benefit of the Class, and for their risk in undertaking this representation on a wholly contingent basis. The amount to be requested is well within the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigations of this type. Plaintiffs' Counsel may thereafter from time to time apply to the Court, without further notice to the Class, for an additional award of attorneys' fees and costs incurred in connection with administering the Settlement. All such awards shall be subject to the approval of the Court.

## **XIII. CONDITIONS FOR SETTLEMENT**

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met or the Stipulation otherwise does not become effective or, under certain specified conditions, the Stipulation is terminated and, thereby, becomes null and void, the parties to the Stipulation will be restored to their respective positions as of the date the Stipulation was executed.

## **XIV. THE RIGHT TO OBJECT AND BE HEARD AT THE HEARING**

Any Class Member who has not excluded himself, herself, or itself from the Class can object to the Settlement, or any part of it, the application for expenses by the Lead Plaintiffs, and/or the application by Plaintiffs' Counsel for attorneys' fees and expenses. To object, any such Person must submit a written objection and copies of any papers and briefs so they are received on or before June 15, 2012, by each of the following:

Clerk of the Court  
Western District of Washington  
U.S. Courthouse, Lobby Level  
700 Stewart Street  
Seattle, Washington 98101

Brower Piven  
A Professional Corporation  
David A.P. Brower  
488 Madison Avenue  
New York, NY 10022

Wilson Sonsini Goodrich & Rosati  
Barry M. Kaplan  
701 Fifth Avenue, Suite 5100  
Seattle, Washington 98104

*Attorneys for Defendants  
Cell Therapeutics, Inc., Dr. James Bianco,  
Louis Bianco, and Craig Phillips*

*Attorney for the CTIC Investor Group  
and Lead Counsel for the Class*

Any written objection must demonstrate the objecting Person's membership in the Class, including the dates of all such Class Member's purchases and/or sales of CTI common stock during the Class Period, the number of shares purchased and/or sold on each such date, and the prices paid and/or received for all such shares on each such date. Only Class

Members who have submitted written objections in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise. Persons who intend to object to the Settlement and desire to present evidence at the Settlement Hearing must include in their written objections the identity of any witnesses they may call to testify and any exhibits they intend to introduce into evidence at the Settlement Hearing.

If you wish to attend the Settlement Hearing in person and speak to the Court, you must ask the Court for permission. To do so, you must submit a written statement noting your intention to appear at the Settlement Hearing to the persons noted above so that it is received on or before June 15, 2012.

#### **XV. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased CTI common stock (NASDAQ: CTIC) between March 25, 2008 and March 22, 2010, both dates inclusive, for the beneficial interest of a person or entity other than yourself, THE COURT HAS DIRECTED THAT WITHIN SEVEN DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator identified below the name and last known address of each person or entity for whom or which you purchased CTI common stock during such time period or (b) request additional copies of this Notice, which will be provided to you free of charge, and within seven days mail the Notice directly to the beneficial owners of that CTI common stock. If you select option (a) above, the Claims Administrator will cause copies of this Notice to be forwarded to the beneficial owners of common stock referred to herein. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. All communications concerning the foregoing should be addressed to the Claims Administrator:

*In re Cell Therapeutics, Inc.*, Class Action  
c/o GCG  
PO Box 9861  
Dublin, OH 43017-5761  
877-519-0810

You are entitled to reimbursement for your reasonable expenses actually incurred in complying with the foregoing, including reimbursement of reasonable postage expenses and the reasonable costs of obtaining the names and addresses of beneficial owners. Those reasonable expenses and costs will be paid upon request and submission of appropriate supporting documentation. All requests for reimbursement should be sent to the Claims Administrator.

#### **XVI. EXAMINATION OF PAPERS**

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, Western District of Washington, U.S. Courthouse, Lobby Level, 700 Stewart Street, Seattle, Washington 98101 or at [www.gcginc.com](http://www.gcginc.com).

If you have any questions about the Settlement, you may contact a representative of Lead Counsel by calling the following toll-free number: 877-519-0810. You also may email Lead Counsel at the following email address: [CellTherapeutics@gcginc.com](mailto:CellTherapeutics@gcginc.com). Any written inquiries about the Action should be addressed to Lead Counsel at:

*In re Cell Therapeutics, Inc.*, Class Action  
c/o GCG  
PO Box 9861  
Dublin, OH 43017-5761

***PLEASE DO NOT CONTACT THE COURT OR DEFENDANTS' COUNSEL REGARDING THIS NOTICE.***

Dated: March 16, 2012

BY THE ORDER OF THE UNITED STATES DISTRICT  
COURT FOR THE WESTERN DISTRICT OF  
WASHINGTON