



Corporate Governance Guidelines of Cell Therapeutics, Inc. March 2003

OVERVIEW – THE ROLE OF THE BOARD OF DIRECTORS

One of the duties of the Board of Directors of Cell Therapeutics, Inc. (the “Company”) is to oversee the chief executive officer and other senior management in the competent and ethical operation of the corporation. The Board of Directors wishes to set standards to ensure that the Company is committed to business success through the maintenance of the highest standards of responsibility and ethics.

Directors bring to the Company a wide range of experience, knowledge and judgment. These varied skills mean that good governance depends on more than a "check the box" approach to standards or procedures. The Company’s governance structure is designed to be a working structure for principled actions, effective decision-making and appropriate monitoring of both compliance and performance.

Effective directors maintain an attitude of constructive skepticism and review of the Company’s operations. Our directors know that their job requires them to ask probing questions of management and to take the action designed to get accurate and honest answers. Our directors also rely on the advice, reports and opinions of management, counsel and our other expert advisers. In doing so the board constantly evaluates the qualifications of those it relies upon for information and advice, and also looks to the process used by managers and advisers in reaching their recommendations.

Finally our board prides itself on keeping up to date on best governance practices. We, working together with management and our advisers, look to the knowledge and information of others in the governance debate for additional information on how to manage our affairs. We particularly note the efforts by the various exchanges as well as the Securities and Exchange Commission and the Business Roundtable to promote better governance. We established a Nominating and Governance Committee in July 2002 composed entirely of independent directors and a strong majority of our board today is comprised of independent directors. We intend to continually monitor the way we govern ourselves, including reviewing whether there are alternatives or new ideas which would strengthen our governance structure. We have set forth below some of the governance principles that we have adopted as of March 2003.

DIRECTOR QUALIFICATIONS

The board shall have a majority of directors who meet the criteria for independence established by the Nasdaq Stock Market. Directors will be nominated by the Nominating and Governance Committee of the board, in accordance with the charter and principles of that committee. The Nominating and Governance Committee is responsible for reviewing with the board, on an annual basis, the appropriate skills and characteristics required of board members as well as the

composition of the board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, skills and experience in such areas as operations, finance, marketing and sales and the general needs of the board. The board, the Nominating and Governance Committee or the Chairman of the Board should extend the actual invitation to join the board.

The board currently is authorized to have, and is currently comprised of, nine directors. The board reviews from time to time the appropriateness of its size. The board will consider expanding its size to accommodate outstanding candidates, while keeping in mind the need for an efficient working Board of Directors appropriate for the size of the Company.

The board, through the Nominating and Governance Committee, will have the opportunity to review the appropriateness of continued services of directors who change their position or responsibility from the position and responsibility of those directors when elected to the board.

Each board member should ensure that other existing and anticipated future commitments do not materially interfere with the members' service as director. Directors are encouraged to limit the number of other boards (excluding non-profit organizations) on which they serve, taking into account potential board attendance, participation and effectiveness on these boards. In any event, no director who serves on the Audit Committee shall serve on the audit committee of more than two additional public company boards without prior consultation with the Chair of the Nominating and Governance Committee. Directors should advise the Chairman of the Board and the Chair of the Nominating and Governance Committee in advance of accepting an invitation to serve on the board of any other public company.

The board believes that term limits are, on balance, not the best way to maximize the effectiveness of the board. While terms limits would likely introduce fresh perspectives and make new viewpoints available to the board, they would also have the countervailing effect of causing the loss of the benefit gained from the contributions of directors who have developed, over time, increasing insight into the Company. The Nominating and Governance Committee will review the appropriateness of each board member's continued service periodically.

DIRECTOR RESPONSIBILITIES

The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. In fulfilling that responsibility the directors should be able to rely on the honesty and integrity of the Company's senior management and legal, accounting, financial and other advisors. The directors should have the benefit of directors' and officers' insurance, paid by the company, to indemnification to the fullest extent allowed under the Company's charter and Washington law, and to exculpation as provided by Washington law and the Company's charter, bylaws and contractual arrangements.

Board members are expected to prepare for, attend and participate in all board and applicable committee meetings, and to spend the time needed and meet as often as necessary to properly discharge their obligations. Information and data that is important to the board's understanding of the business to be conducted at a board or committee meeting should generally be distributed in writing to the directors prior to the meeting, so that board meeting time may be conserved and discussion time focused on questions that the board has about the materials. Particularly sensitive subject matters may be discussed at the meeting without advance distribution of written materials.

The Chairman of the Board is responsible for and shall control the agenda for each board meeting and shall, to the extent practicable, distribute it in advance to the board. Each board member is free to suggest the inclusion of items on the agenda and to raise at any board meeting subjects that are not on the agenda for that meeting. The board will review the Company's long-term strategic plans during at least one board meeting each year.

The board's policy is to have a separate meeting time or "executive session" for the independent directors whenever called for by a majority of the independent directors or at least once annually. Attendance at executive sessions shall be limited to directors who meet the criteria for independence established by the Nasdaq Stock Market and the rules and regulations promulgated by the Securities and Exchange Commission, and need not be formally called meetings.

The board believes that it is critical that the Company speak with one voice, and that, absent special circumstances, management speak for the Company. Individual board members may occasionally meet or otherwise communicate with various constituencies that are involved with the Company, but board members should do this with the knowledge and consent of the entire Board or as requested by the chief executive officer or management and, in most instances, absent unusual circumstances or as contemplated by the committee charters, at the request of management.

BOARD COMMITTEES

A Nominating and Governance Committee, Audit Committee and Compensation Committee of the board shall exist at all times. The members of the Audit Committee shall meet the independence and experience requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, the rules and regulations of the Securities and Exchange Commission and the Nasdaq Stock Market (or any other exchange upon which the Company's stock becomes listed). The members of the Nominating and Governance Committee and Compensation Committee will meet the criteria for independence established by the Nasdaq Stock Market and the rules and regulations of the Securities and Exchange Commission. The members of these committees will also meet the other membership criteria specified in the respective charters for these committees.

Committee members will be appointed by the board upon recommendation by the Nominating and Governance Committee of the board, in accordance with the charter and principles of that committee. There will, from time to time, be occasions on which the board may want to rotate committee members, but the board does not believe that a formal policy of rotation is mandated.

Each committee will have its own charter. The charter will set forth the purposes, policies and responsibilities of the committees in addition to the qualifications for committee membership, organization and functioning and how the committee will communicate with the board.

The Chair of each committee will, in consultation with the appropriate committee members and members of management, and in accordance with the committee's charter, determine the frequency and length of committee meetings and develop the committee's agenda.

The board and each committee shall have the authority to obtain advice, reports or opinions from internal and external counsel and advisors and shall have the power to hire independent legal, financial and other advisors as they may deem necessary, without consulting with, or obtaining approval from, any officer of the Company in advance.

The board may, from time to time, establish or maintain additional committees, as it deems appropriate.

DIRECTOR ACCESS TO OFFICERS AND EMPLOYEES

The board has complete access to all Company officers and employees. Any meetings or contacts that a director desires to initiate may be arranged directly by the director or through the CEO or other Company officer. The directors should use their judgment to ensure that any such contact or communication is not disruptive to the business operations of the Company, and will, to the extent not inappropriate, copy the CEO or any written communications between a director and an officer or employee of the Company.

The board welcomes the attendance of senior officers at each board meeting. The board also encourages management to schedule managers to present at board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, or (b) have potential that senior management believes should be given exposure to the board.

DIRECTOR COMPENSATION

The form and amount of director compensation will be determined by the Nominating and Governance Committee. The Nominating and Governance Committee will conduct an annual review of director compensation. The Nominating and Governance Committee will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director, or members of their immediate family, is affiliated.

CEO EVALUATION

The Compensation Committee will conduct an annual review of the CEO's performance, in accordance with the charter and principles of that committee. The board will review the committee's report to ensure that the current CEO is providing the best leadership for the Company, from a short, intermediate and long-term perspective.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

The Company will have an orientation program for new directors. The orientation should include an introduction to the Company's senior management, the Company's business strategies and financial processes, visits to its corporate headquarters and to the extent practicable its significant facilities. Incumbent directors are also invited to attend the orientation program.

All directors will comply with the continuing education requirements mandated by the Nasdaq Stock Market or such other exchange upon which the Company's common stock may be listed.

Adopted March 10, 2003