

Cyclacel Pharmaceuticals, Inc.  
Form DEFR14A  
April 09, 2007  
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SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

AMENDMENT NO. 1 TO  
SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

CYCLACEL PHARMACEUTICALS, INC.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:

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- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

Fee paid previously with preliminary materials.

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

- 1) Amount previously paid:
  - 2) Form, Schedule or Registration Statement No:
  - 3) Filing party:
  - 4) Date Filed:
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Cyclacel Pharmaceuticals, Inc.

200 Connell Drive, Suite 1500  
Berkeley Heights, New Jersey 07922  
United States of America

April 5, 2007

Dear Fellow Stockholder,

I am pleased to invite you to attend our 2007 Annual Meeting of Stockholders, which will be held on Monday, May 21, 2007, beginning at 2.00 p.m., Eastern Time, at our corporate headquarters at 200 Connell Drive, Suite 1500, Berkeley Heights, New Jersey, 07922.

This year, you are being asked to elect three directors nominated by the Board of Directors upon the recommendation of our Nominating and Corporate Governance Committee, to amend our 2006 Equity Incentive Plan to increase the number of shares of common stock issuable under such plan by an additional 1,384,205 shares, to an aggregate of 3,000,000 shares, and to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm. Your Board of Directors urges you to read the accompanying proxy statement carefully and recommends that you vote "FOR" each of these proposals.

At the meeting, we will also report on Cyclacel's progress over the past year and we will provide you with an opportunity to meet members of our management team and Board of Directors and will respond to questions that you may have.

We hope that you will be able to join us at our Annual Meeting. Whether or not you expect to attend, please be sure to vote your shares by signing, dating, and returning the proxy card in the envelope provided or by attending the meeting in person.

You will be asked to register at the Annual Meeting prior to admission if you attend. If you wish to register in advance of the Annual Meeting, please contact our investor relations office by telephone at (908) 517-7330, by mail at Cyclacel Pharmaceuticals, Inc., 200 Connell Drive, Suite 1500, Berkeley Heights, New Jersey, 07922, or by e-mail to investor@cyclacel.com.

I look forward to seeing you at this year's Annual Meeting.

Yours sincerely,  
/s/ Spiro Rombotis  
Spiro Rombotis  
President and Chief Executive Officer

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CYCLACEL PHARMACEUTICALS, INC.

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 21, 2007

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To the Stockholders of  
Cyclacel Pharmaceuticals, Inc.:

NOTICE IS HEREBY GIVEN that the annual meeting of Cyclacel Pharmaceuticals, Inc. will be held on May 21, 2007 (the "Annual Meeting"), for the following purposes:

1. To elect three Class 1 directors to hold office until the 2010 Annual Meeting and until their successors are duly elected and qualified;
2. To approve the amendment of the 2006 Equity Incentive Plan to increase the number of shares of common stock issuable thereunder by an additional 1,384,205 shares, to an aggregate of 3,000,000 shares;
3. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2007; and
4. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Only those holders of our common stock of record as of the close of business on April 4, 2007, are entitled to notice of, and to vote at, the Annual Meeting and at any adjournments thereof. A total of 20,407,621 shares of our common stock were issued and outstanding as of that date. Each share of common stock entitles its holder to one vote. Cumulative voting of shares of common stock is not permitted.

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For the ten-day period immediately prior to the Annual Meeting, the list of stockholders entitled to vote will be available for inspection at our offices at 200 Connell Drive, Suite 1500, Berkeley Heights, New Jersey, 07922, for such purposes as are set forth in the General Corporation Law of the State of Delaware.

At least a majority of all issued and outstanding shares of common stock is required to constitute a quorum. Accordingly, whether you plan to attend the annual meeting or not, we ask that you complete, sign, date and return the enclosed proxy card as soon as possible in accordance with the instructions on the proxy card. A pre-addressed, postage prepaid return envelope is enclosed for your convenience. In the event you are able to attend the meeting, you may revoke your proxy and vote your shares in person.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Paul McBarron

Paul McBarron

Secretary

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CYCLACEL PHARMACEUTICALS, INC.  
200 Connell Drive, Suite 1500  
Berkeley Heights, New Jersey, 07922  
(908) 517 7330

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PROXY STATEMENT  
2007 ANNUAL MEETING OF STOCKHOLDERS

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Explanatory Note

This Amendment No. 1 to Schedule 14A amends the Cyclacel Pharmaceutical, Inc. Proxy Statement filed on April 5, 2007, to include disclosures inadvertently omitted regarding the change in the company's independent registered public accounting firm within the last two years and other attendant changes as a result of such omission, which are included as part of Proposal 3, "The Ratification of Selection of Independent Registered Public Accounting Firm," and the Code of Conduct and Ethics. No other information in the original filing is amended hereby.

INFORMATION ABOUT THE MEETING AND VOTING

General

This proxy statement is furnished in connection with the solicitation of proxies, in the accompanying form, by the Board of Directors of Cyclacel Pharmaceuticals, Inc. to be used at our 2007 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Monday May 21, 2007, at 2.00 p.m., Eastern Time, at our corporate headquarters at 200 Connell Drive, Suite 1500, Berkeley Heights, New Jersey, 07922, and at any adjournments or postponements thereof for the purposes set forth in the Notice of Annual Meeting. These proxy materials are being mailed on or about April 9, 2007 to all stockholders entitled to notice of and to vote at the Annual Meeting.

Summary of Proposals to be Voted Upon By Stockholders

Proposal 1: Election of Three Class 1 Directors to Hold Office Until the 2010 Annual Meeting

Our Board of Directors is divided into three classes of directors. Each class is elected to serve for a three-year term. This year, three current Class 1 directors have been nominated to serve until the 2010 Annual Meeting and until their successors have been duly elected and qualified. The nominated directors are as follows:

- Sir John Banham, who has served on our Board of Directors since March 2006.

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- Professor Gordon McVie, who has served on our Board of Directors since March 2006.
- Mr. Daniel Spiegelman, who has served on our Board of Directors since September 2004.

The Board of Directors recommends that stockholders vote “FOR” Proposal 1.

### Proposal 2: Approval of the Amendment of the 2006 Equity Incentive Plan

On March 9, 2007 the Board of Directors approved the amendment of the 2006 Equity Incentive Plan to increase the number of shares of common stock issuable under the 2006 Equity Incentive Plan by an additional 1,384,205 shares, to an aggregate of 3,000,000 shares.

The Board of Directors recommends that stockholders vote “FOR” Proposal 2.

### Proposal 3: Ratification of Selection of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has selected Ernst & Young LLP to be our independent registered public accounting firm for the year ending December 31, 2007. Ernst & Young LLP has served as our independent registered public accounting firm since 1996.

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The Board of Directors recommends that stockholders vote “FOR” Proposal 3.

### Proxies

Holders of our common stock who are entitled to vote are urged to sign the enclosed proxy card and return it promptly in the return envelope provided. Proxies will be voted in accordance with such holders’ directions. If no directions are given, proxies will be voted “FOR” the election as Class 1 directors of the nominees named herein, “FOR” the amendment of the 2006 Equity Incentive Plan and “FOR” ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm, and, as to any other business that may come before the Annual Meeting, in accordance with the judgment of the person or persons named in the proxy. The Board of Directors knows of no other business to be presented at the Annual Meeting. The proxy may be revoked at any time prior to the voting thereof by providing written notice of revocation to us at 200 Connell Drive Suite 1500, Berkeley Heights, New Jersey, 07922, Attention: Paul McBarron, Chief Operating Officer and Executive Vice President, Finance, and Secretary. The proxy may also be revoked by submitting to us prior to the Annual Meeting a more recently dated proxy or by attending the Annual Meeting and voting in person.

### Stockholders Entitled to Vote

Only stockholders of record at the close of business on April 4, 2007, are entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. On that date, there were 20,407,621 shares of common stock outstanding. Each share of common stock is entitled to one vote.

### Establishing a Quorum

The holders of a majority of the issued and outstanding shares of common stock entitled to vote, whether present in

person or represented by proxy at the Annual Meeting, will constitute a quorum for the transaction of business at the Annual Meeting. Shares as to which a broker indicates that it has no discretion to vote and which are not voted, known as “broker non-votes,” will be considered present at the Annual Meeting for the purpose of determining the presence of a quorum. Proxies marked as abstaining on any matter to be acted upon by the stockholders will be treated as present at the Annual Meeting for purposes of determining a quorum.

#### Votes Required, Broker Non-Votes and Abstentions

For Proposal 1, the affirmative vote of a plurality of the shares of common stock cast by the stockholders present in person or represented by proxy at the Annual Meeting is required to elect the nominees for election as Class 1 directors. Thus, broker non-votes and withholding authority will have no effect on the outcome of the vote for the election of directors. Brokers do, however, have discretionary authority to vote shares held in their name on this proposal, even if they do not receive instructions from the beneficial owner.

For Proposal 2, the affirmative vote of a majority of votes cast by the stockholders entitled to vote and who are present in person or represented by proxy at the Annual Meeting is required to approve the amendment of the 2006 Equity Incentive Plan to increase the number of shares of common stock issuable thereunder. Brokers do not have discretion to vote on this proposal without your instruction. If you do not instruct your broker on how to vote on this proposal, your broker will not vote your shares on this proposal. Broker non-votes, if any, will have no effect on the outcome of the vote on this proposal. Abstentions will have the effect of a vote “against” this proposal.

For Proposal 3, the affirmative vote of a majority of votes cast by the stockholders entitled to vote and who are present in person or represented by proxy at the Annual Meeting is required to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2007. Abstentions will have the effect of a vote “against” this proposal. Because broker non-votes are not considered to be votes cast, they will have no effect on the vote for this proposal. Brokers do, however, have discretionary authority to vote shares held in their name on this proposal, even if they

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do not receive instructions from the beneficial owner. We are not required to obtain the approval of our stockholders to select our independent registered public accounting firm. However, if our stockholders do not ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2007, the Audit Committee of our Board of Directors will reconsider its selection.

#### Costs of Solicitation of Proxies

The solicitation of proxies in the enclosed form is made on behalf of the Board of Directors. The entire cost of soliciting these proxies, including the costs of preparing, printing and mailing to stockholders this proxy statement and accompanying materials, will be borne by us. We have engaged Morrow & Co., Inc. to assist us with the solicitation of proxies for a fee of \$5,000, plus expenses. In addition to use of the mails, proxies may be solicited personally or by telephone or otherwise by our officers, directors and employees, who will receive no additional compensation for such activities. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares held of record by such institutions and persons. Such parties will be reimbursed for their reasonable expenses incurred in connection with these activities.

## Dissenters' Rights

Under Delaware law, stockholders are not entitled to dissenters' rights of appraisal on any proposal referred to herein.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT**

The following table sets forth certain information as of the Record Date, concerning the ownership of voting securities of (i) each current member of the Board of Directors, (ii) certain highly compensated officers, (iii) all of our directors and executive officers as a group and (iv) each beneficial owner of more than 5% of the outstanding shares of any class of our voting securities relying solely upon the amounts and percentages disclosed in their public filings. The address for each of the directors and named executive officers is c/o Cyclacel Pharmaceuticals, Inc., 200 Connell Drive Suite 1500, Berkeley Heights, New Jersey, 07922.

Addresses of other beneficial owners are noted in the table.

As of the Record Date, we had 20,407,621 shares of common stock outstanding.

	Number of Shares Beneficially Owned <sup>(1)</sup>	Percentage Owned
Directors and Executive Officers		
Sir John Banham <sup>(2)</sup>	55,597	*
Dr. Judy Chiao <sup>(3)</sup>	95,135	*
Dr. Christopher Henney <sup>(4)</sup>	65,667	*
Dr. Robert Jackson <sup>(5)</sup>	127,787	*
Pierre Legault <sup>(6)</sup>	—	*
Paul McBarron <sup>(7)</sup>	137,784	*
Professor Gordon McVie <sup>(8)</sup>	18,750	*
Spiro Rombotis <sup>(9)</sup>	454,282	1.76%
Daniel Spiegelman <sup>(10)</sup>	30,062	*
Dr. David U'Prichard <sup>(11)</sup>	57,806	*
Dr. John Womelsdorf <sup>(12)</sup>	—	*
Executive officers and directors as a group (11 persons)	1,042,870	4.05%
5% Stockholders		
Federated Kaufman Fund <sup>(13)</sup>	4,250,000	16.51%
Frontpoint Partners LLC <sup>(14)</sup>	2,596,894	10.09%
Deerfield Capital L.P. and Deerfield Management Company, L.P. <sup>(15)</sup>	1,812,501	7.04%

\* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Beneficial ownership also includes shares of



stock subject to options and warrants currently exercisable or convertible, or exercisable or convertible within sixty (60) days of April 4, 2007. Except as indicated by footnote, to our knowledge, all persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned.

- (2) Includes 18,750 shares issuable upon the exercise of options to purchase common stock.
- (3) Includes 48,967 shares issuable upon the exercise of options to purchase common stock.
- (4) Includes 58,500 shares issuable upon the exercise of options to purchase common stock.
- (5) Includes 63,606 shares issuable upon the exercise of options to purchase common stock.
- (6) Includes Nil shares issuable upon the exercise of options to purchase common stock.
- (7) Includes 63,680 shares issuable upon the exercise of options to purchase common stock.
- (8) Includes 18,750 shares issuable upon the exercise of options to purchase common stock.
- (9) Includes 97,834 shares issuable upon the exercise of options to purchase common stock.
- (10) Includes 24,063 shares issuable upon the exercise of options to purchase common stock.
- (11) Includes 37,500 shares issuable upon the exercise of options to purchase common stock.
- (12) Includes Nil shares issuable upon the exercise of options to purchase common stock.
- (13) Includes 1,107,143 shares issuable upon the exercise of warrants to purchase common stock.
- (14) Includes 168,750 shares issuable upon the exercise of warrants to purchase common stock.
- (15) Includes 491,072 shares issuable upon the exercise of warrants to purchase common stock.

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### MANAGEMENT

#### Board of Directors

Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws provide for our business to be managed by or under the direction of the Board of Directors. The Board of Directors is fixed at eight members under our Amended and Restated Bylaws, as set forth below.

Name	Age	Position
Spiro Rombotis	49	President and Chief Executive Officer; Director
Paul McBarron	47	Chief Operating Officer & Executive Vice President, Finance; Secretary and Director
Sir John Banham	66	Director
Dr. Christopher Henney	66	Vice Chairman; Director
Pierre Legault	46	Director
Dr. Gordon McVie	62	Director
Daniel Spiegelman	48	Director
Dr. David U'Prichard	59	Chairman; Director

Set forth below is certain biographical information about our current directors. We have a staggered Board of Directors comprised of three classes, and each director serves until the annual meeting in which his class is nominated. Sir John Banham, Professor Gordon McVie, and Mr. Daniel Spiegelman are in the class of directors whose term expires at the Annual Meeting and, if elected, would serve until our 2010 annual meeting. Messrs. Rombotis, U'Prichard and Legault are in the class of directors whose term expires at the 2008 annual meeting of

stockholders. Mr Legault was appointed to the Board of Directors in March 2007. Messrs. McBarron and Henney are in the class of directors whose term expires at the 2009 annual meeting of stockholders. There is no family relationship among any of our directors or executive officers.

Nominees as Class 1 Directors (Term to Expire in 2010)

Sir John Banham. Sir John Banham is currently Chairman of Spacelabs Healthcare, Inc. and Chairman of Johnson Matthey plc, senior non-executive director of AMVESCAP plc and non-executive director of Merchant Trust plc. He is past Director General of the Confederation of British Industry (CBI) and past Chairman of Whitbread plc, Geest plc, ECI Partners LLP, Tarmac plc and Kingfisher plc. His public sector appointments comprise first Controller of the Audit Commission and first Chairman of the Local Government Commission for England. He was formerly Honorary Treasurer of the United Kingdom's Cancer Research Campaign prior to its merger with Imperial Cancer Research. He is a graduate of Cambridge University in Natural Sciences and has honorary degrees from a number of British universities.

Professor Gordon McVie, D.Sc. (Hon), MBChB, MRCP, M.D., FRCP, FRCPS, FmedSci. Professor McVie is currently Chief Executive Officer and a director of Cancer Intelligence Limited, a cancer consulting company, former Joint Director General of Cancer Research UK and former Director General of the Cancer Research Campaign. Previously, he was Clinical Research Director at the Netherlands Cancer Institute in Amsterdam. From 1976 to 1979 he was the first NHS Consultant Medical Oncologist in Scotland at The Cancer Research Campaign Unit in Glasgow. He is the European editor of JNCI (Journal of the National Cancer Institute) and Senior Consultant to the European Institute of Oncology, Milan, Italy. He has authored five books and over 200 research papers.

Daniel Spiegelman, M.B.A. Mr Spiegelman had served as one of Xcyte's directors since September 2004, and continued on as a director of the company. Mr Spiegelman has served as the Senior Vice President and Chief Financial Officer of CV Therapeutics, Inc. since September 1999. From January 1998 to September 1999, Mr. Spiegelman served as the Vice President and Chief

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Financial Officer of CV Therapeutics, Inc. From 1991 until 1998, Mr. Spiegelman was employed by Genentech, Inc., a biotechnology company, holding various positions in the Treasury department, including the position of Treasurer from 1996 to 1998. Mr. Spiegelman holds a B.A. in Economics from Stanford University and an M.B.A. from Stanford Graduate School of Business. Mr. Spiegelman currently serves as a member of the board of directors of Affymax, Inc.

Continuing Class 2 Directors (Term to Expire in 2008)

Spiro Rombotis. Mr. Rombotis joined Cyclacel in August 1997 and has over 24 years of experience with pharmaceutical and biotechnology companies. He was previously Vice President of International Operations and Business Development; Managing Director, Europe; and Director, Japanese joint venture, at The Liposome Company, Inc. Mr. Rombotis also served as Vice President, Pharmaceuticals for Central and Eastern Europe and as Director of International Marketing at Bristol-Myers Squibb Company. He was Head of European Marketing and Sales and Head of Corporate Development at Centocor, Inc. as well as working in Business Development at Novartis AG. He holds a B.A. from Williams College and an M.B.A. and Master's degree in Hospital Management with honors, from the Kellogg Graduate School of Management where he serves on the Kellogg Biotech Advisory Board.

David U'Prichard, Ph.D. Chairman of the Board. Dr. U'Prichard joined the Board of Directors of Cyclacel in May 2004. He is currently President of Druid Consulting LLC, a pharmaceutical and biotechnology-consulting firm, providing customized services to life sciences clients in the United States and Europe. He is also a Venture Partner with Care Capital LLP and Red Abbey Venture Partners, private equity providers. Previously, he was Chief Executive Officer of 3-Dimensional Pharmaceuticals, Inc. from 1999 to 2003. In addition, he held a variety of positions within the pharmaceutical and biotechnology industries, including, President and Chairman of Research and Development for SmithKline Beecham Pharmaceuticals; Executive Vice President and International Research Director, and a Member of the Board of Zeneca Pharmaceuticals; General Manager, Research Department, ICI Pharmaceuticals, and Vice President Biomedical Research, ICI Pharmaceuticals; and Senior Vice President and Scientific Director for Nova Pharmaceutical Corporation. He is a director of BioAdvance (Philadelphia), Invitrogen Corporation, Lynx Therapeutics, SR Pharma, Ben Franklin Technology Partners of Southeastern Pennsylvania and the Life Sciences Research Foundation in Baltimore, Maryland. He is the non-executive Chairman of Oxagen. He was Chairman of the Pennsylvania Biotechnology Association in 2004-2005. From 1992 to 1997 he was a member of the board of the Biotechnology Industry Organization (BIO). He received a B.Sc. in Pharmacology from University of Glasgow in 1970 and a Ph.D. in Pharmacology from University of Kansas in 1975.

Pierre Legault, C.A., M.B.A. Mr. Legault is currently Group Executive Vice President, The Jean Coutu Group (PJC) Inc., with overall management responsibilities for the Brooks Eckerd operations in the United States. Previously, he was Worldwide President of Sanofi Aventis Dermatology (19 countries). Prior to that, he was Senior Vice-President Finance and Treasury of Aventis Pharmaceutical worldwide. Prior to such time, he was Chief Financial Officer of Hoechst Marion Roussel (North America) and of Marion Merrell Dow (North America). He is a chartered accountant, and a member of the U.S. Certified Public Accounting Association, who earned a bachelor's degree at Les Hautes Études Commerciales (HEC Montréal) and an MBA at McGill University.

Continuing Class 3 Directors (Term to Expire in 2009)

Paul McBarron. Mr. McBarron joined Cyclacel in January 2002 and has over 15 years of experience as a financial executive with pharmaceutical and biotechnology companies. Since 1996, he was a senior member of the finance team at Shire Pharmaceuticals Group plc, where he held the positions of Director of Corporate Finance and Group Financial Controller. He joined Shire when it was an emerging public company employing fewer than 100 people. He was previously employed in various financial positions at Sterling Drug, Inc. and SmithKline Beecham Pharmaceuticals and qualified as a chartered accountant with Ernst & Young.

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Christopher S. Henney, Ph.D., D.Sc. Dr. Henney had served as one of Xcyte's directors since March 2005, and continued on as Vice Chairman of the Company. Previously, Dr. Henney co-founded three major publicly held U.S. biotechnology companies, Immunex, ICOS and Dendreon, and held executive positions at each company. From 1995 to January 2003, Dr. Henney was Chairman and Chief Executive Officer of Dendreon Corporation. Dr. Henney currently serves as Chairman of Biomira, Inc. and SGX Pharmaceuticals, Inc., and is a director of Bionomics Ltd. Dr. Henney received a Ph.D. in experimental pathology from the University of Birmingham and a D.Sc. from the same university for contributions to the field of immunology.

Additional Information Concerning the Board of Directors and its Committees

**Meeting Attendance.** The Board of Directors held seven regular meetings in 2006. The Board of Directors has established three standing committees, (1) the Compensation and Organization Development Committee, (2) the Audit Committee and (3) the Nominating and Corporate Governance Committee. These committees held a total of ten meetings during fiscal year 2006. No director during the time in which such director served as our director attended fewer than 75% of the aggregate number of meetings held during the fiscal year by the Board of Directors and the committees of the Board on which he served. For purposes of this measurement, meetings do not include actions taken by unanimous written consent.

**Director Independence.** Our Board of Directors has determined that each of the following directors is an “independent director” as such term is defined by The Nasdaq Stock Market, Inc. (“Nasdaq”):

- David U’Prichard, Ph.D.
- Sir John Banham
- Christopher Henney, Ph.D, D.Sc.
- Pierre Legault, C.A., M.B.A.
- Gordon McVie, M.D., D.Sc.
- Daniel Spiegelman, M.B.A.

The Board of Directors has also determined that each member of the Compensation and Organization Development Committee, the Audit Committee and the Nominating and Corporate Governance Committee meets the independence requirements applicable to each such committee prescribed by Nasdaq and the SEC.

**Audit Committee.** The current members of our Audit Committee are Mr Legault, who is the chairperson, Sir John Banham, Dr. Henney and Mr Spiegelman. The Board of Directors has determined that Pierre Legault is a “financial expert” as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Please see the biographical information for Mr Pierre Legault contained in the section above entitled, “Management — Board of Directors.”

The Audit Committee of the Board of Directors oversees and monitors the processes management has in place to maintain the reliability and integrity of our accounting policies and financial reporting processes, to ensure the adequacy of internal accounting, financial reporting and disclosure controls, and to comply with legal and regulatory requirements that may impact our financial reporting and disclosure obligations. The Audit Committee is also responsible for reviewing the qualifications, independence and performance of, and selecting or replacing, if necessary, our independent registered public accounting firm and approving all audit and non-audit services and fees related thereto. In addition, the Audit Committee is responsible for reviewing, in consultation with our management and independent registered public accounting firm, the scope and results of (1) reviews of our quarterly financial statements, (2) audits of our annual financial statements, and (3) audits of our system of internal control over financial reporting and management’s assessment of the effectiveness thereof. The Audit Committee may also perform other duties and responsibilities as

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the Audit Committee or the Board of Directors deems appropriate or necessary, including reviewing, evaluating and approving related-party or similar transactions or relationships. The Audit Committee maintains a written charter that outlines its responsibilities, which it reviews and reassesses annually and recommends any changes to the Board of Directors for approval. Please also see the report of the Audit Committee set forth elsewhere in this proxy statement.

Compensation and Organization Development Committee. The Compensation and Organization Development Committee of the Board of Directors is composed entirely of directors who are not our current or former employees. The Committee is responsible for establishing and administering our executive compensation policies. The current members of our Compensation and Organization Development Committee are Dr. Christopher Henney, who is the chairperson, Professor Gordon McVie and Dr. David U'Prichard. Please also see the report of the Compensation and Organization Development Committee set forth elsewhere in this proxy statement.

Nominating and Corporate Governance Committee. The current members of our Nominating and Corporate Governance Committee are Sir John Banham, who is the chairperson, Professor Gordon McVie and Mr. Daniel Spiegelman. The functions of the Nominating and Corporate Governance Committee include making recommendations to the full Board of Directors as to particular nominees for election or appointment to the Board of Directors; making recommendations to the full Board of Directors as to the membership, structure and operations of the committees of the Board; reviewing and assessing the adequacy of our corporate governance guidelines, principles and practices and recommending changes to the full Board of Directors for approval; monitoring compliance with our Corporate Code of Conduct and Ethics; and reviewing and maintaining oversight of matters relating to the independence, operation and effectiveness of the Board of Directors and committee members. The Nominating and Corporate Governance Committee maintains a written charter that outlines its responsibilities, which it reviews and reassesses annually and recommends any changes to the Board of Directors for approval, a copy of which can be viewed on our website ([www.cyclacel.com](http://www.cyclacel.com)).

The Nominating and Corporate Governance Committee may consider candidates recommended by stockholders, as well as from other sources, such as other directors or officers or other appropriate sources. For all potential candidates, the Nominating and Corporate Governance Committee may consider any factors it deems relevant, including, among other factors, a candidate's personal integrity and judgment, business and professional skills and experience, independence, knowledge of our industry, possible conflicts of interest, diversity, the extent to which the candidate would fill a priority need on the Board, the willingness of the candidate to commit sufficient time to attend to his or her duties or responsibilities as a director of a public company, and concern for the long-term interests of our stockholders.

In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to recommend a candidate for director for election at our 2008 Annual Meeting of Stockholders, such a recommendation should be submitted in writing to the Nominating and Corporate Governance Committee, c/o Paul McBarron, Secretary, Cyclacel Pharmaceuticals, Inc., 200 Connell Drive, Suite 1500, Berkeley Heights, New Jersey, 07922. Any such written recommendation should include a minimum of the following: (a) all information relating to such person that would be required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person's consent to being named in the proxy statement as a nominee and to serving as a director, if elected); (b) the name(s) and address(es) of the stockholder(s) making the recommendation; and (c) appropriate biographical information and a statement as to the qualification for service on our Board of Directors of the recommended person. Any such recommendation should be submitted in the time frame for stockholder proposals which are to be included in proxy materials for the Annual Meeting to be held in 2008 under the caption "Stockholders' Proposals and Nominations for Director for 2008 Annual Meeting" set forth elsewhere in this proxy statement.

Compensation Committee Interlocks and Insider Participation. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or

more executive officers serving as a member of our Board of Directors or Compensation and Organization Development Committee.

#### Stockholder Communications to the Board

Generally, stockholders who have questions or concerns should contact our Investor Relations department at (908) 517-7330 or email at investor@cyclacel.com. Stockholders wishing to submit written communications directly to the Board of Directors should send their communications to our Secretary, Cyclacel Pharmaceuticals, Inc., 200 Connell Drive, Suite 1500, Berkeley Heights, New Jersey, 07922. All stockholder communications will be considered by the non-employee members of our Board of Directors.

#### Executive Officers

The following table sets forth certain information regarding our current executive officers who are not also members of our Board of Directors:

Name	Age	Position
Dr. Robert Jackson	64	Senior Vice President and Chief Scientific Officer
Dr. Judy Chiao	47	Vice President, Clinical Development and Regulatory Affairs
Dr. John Womelsdorf	43	Vice President, Business Development

Judy Chiao, M.D. Dr. Chiao joined Cyclacel in December 2004. She was previously Vice President, Oncology Clinical Research and Development at Aton Pharma Inc., a wholly owned subsidiary of Merck & Co. Prior to Aton's acquisition by Merck she was responsible for leading the clinical development of SAHA, a histone deacetylase inhibitor, for hematologic and solid tumor indications. She was a Senior Medical Reviewer, Division of Oncology Drug Products, Center for Drug Evaluation and Research, U.S. Food and Drug Administration, where she was the agency's primary reviewer for a range of oncology drugs and regulatory subjects. She also presented the FDA's views in several New Drug Application reviews at Oncology Drug Advisory Committees. She earned her Bachelor of Science in Chemistry (summa cum laude) at Columbia University, New York, and received her medical degree from Harvard Medical School. Her internship and residency in internal medicine was carried out at Columbia-Presbyterian Medical Center, New York and she held a Research Fellowship in Molecular Pharmacology at Sloan Kettering Institute for Cancer Research and a Clinical Fellowship in Hematology/Oncology at Memorial Sloan Kettering Cancer Center both in New York City. She has also been a member of a number of FDA-related working groups and has also been a Core Member of the Pharsight-FDA Cooperative Research and Development Agreement (CRADA) on clinical trial simulation and population pharmacokinetic analysis software for drug development.

Robert Jackson, Ph.D. Dr. Jackson joined Cyclacel in January 2001. He was previously the Director of Research and Development and a member of the Board of Directors at Celltech Group plc. He was also Executive Director of Research and Development, Chief Operating Officer and a member of the Board of Directors at Chiroscience Group plc, which was acquired by Celltech in 1999. Before these appointments, he was Vice President of Research and Development at Agouron Pharmaceuticals, Inc., and headed cancer research at DuPont Pharmaceuticals and Warner-Lambert Company. He holds a B.A. from the University of Cambridge and a Ph.D. from the University of London, Institute of Cancer Research. Dr. Jackson retired from his position at Cyclacel as of March 31, 2007.

John Womelsdorf, Ph.D. Dr. Womelsdorf joined Cyclacel in August 2006 and has more than 20 years experience in business development roles in several pharmaceutical companies. Most recently he was at, Johnson & Johnson (J&J) where he served as Executive Director, Licensing and New Business Development of the Pharmaceuticals Group. Prior to joining J&J, Dr. Womelsdorf worked as a Global Licensing Director for F. Hoffmann-La Roche, Inc. He was previously a Business Development Fellow at Baxter International, Inc. where he worked closely with Research and

Development licensing in early technologies. Dr. Womelsdorf earned his Bachelor of Science degree in 1988 and his Ph.D. in Physical Chemistry in 1993 from Stevens Institute of Technology. He also earned an M.B.A. from Columbia University in 1997.

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### EXECUTIVE COMPENSATION

#### Compensation Discussion and Analysis

The following Compensation Discussion and Analysis has been prepared to provide shareholders with information we believe is necessary to understand our executive compensation policies and decisions as they relate to the compensation of our executive officers, including the named executive officers in the executive compensation tables.

#### Overview

The Compensation and Organization Development Committee of our board of directors makes all decisions regarding the compensation of our executive officers, which decisions are subject to ratification by our board of directors. The Committee is composed entirely of independent directors and meets on a regular basis. In 2006, the Committee met four times and considered several substantive issues, including a review of all aspects of compensation of all employees. Most recently, in March 2007 when the Committee reviewed the compensation of our directors.

The Committee reviewed the compensation of executives based in both the United States and the United Kingdom for roles that could be undertaken by executives regardless of their geographical location. The Committee decided that all executive salaries and compensation, regardless of geographical location, be paid in United States Dollars, and will review the impact of this decision and consider possible changes in the summer of 2007.

The Committee is authorized to engage and retain any independent third party compensation and legal advisors to obtain advice and assistance on all matters related to executive compensation and benefit plans. No third party consultant was engaged in 2006, although the Committee did consult independent external compensation survey data as part of the Committee's decision-making process. The Committee intends to initiate engagement of a third party consultant in 2007.

#### General Compensation Philosophy

We recognize the importance of maintaining sound principles for the development and administration of our compensation and benefits programs. The overall compensation philosophy of the company is primarily driven by our business environment and our desire to align the interest of the employees with the interests of Cyclacel shareholders. It is also based on the principles of competitive and fair compensation, as well as our goal to attract, retain and motivate qualified employees. The compensation and benefit plans are designed to enable us to meet our corporate goals and performance. The objectives of our compensation structure are to:

- enable the company to attract, engage and retain key executives and employees critical to future success;
- motivate and inspire employee behavior which fosters a high performance culture; and

- support the overall business objectives and ensure that a significant component of the compensation opportunity will be related to factors that both directly and indirectly influence shareholder value.

We measure the success of our compensation plans on overall business performance and our ability to attract and retain key talent which, in turn, will minimise risk and optimize return for our shareholders.

To this end, the Committee, in collaboration with executive management, affirm that the total compensation plan should consist of:

- Annual salary. Designed to reward the core competence in the executive role relative to the skills, experience and contribution to the company.
- Annual cash incentive/bonus awards. Designed to reward the executive for specific contributions to the company aligned to both corporate and individual objectives.

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- Long-term equity compensation. Designed to align the executives' interests with those of the shareholders.
- Certain other benefits, including retirement and welfare plans.

The use of the above components of our overall compensation plan enables us to reinforce our pay for performance philosophy and strengthen our ability to attract and retain high caliber and experienced executives. We believe that our combination of programs provides an appropriate mix of fixed and variable pay, balances short-term operational performance with longer-term shareholder value and facilitates effective executive recruitment and retention.

We seek to target both short and long-term compensation levels competitively among a peer group of biopharmaceutical companies based on available survey data. The companies that comprise our peer group have been selected to benchmark executive compensation levels against companies that have executive positions with responsibilities similar in breadth and scope to ours and have businesses which compete with us for executive talent. We have related our activities to the compensation practices of several peer and other companies, including some that are three times larger than us. These peer companies included, among others: Ariad Pharmaceuticals, Array Biopharma, Arqule, Biocryst Pharmaceuticals, CombinatoRx, Cytokinetics and Sunesis Pharmaceuticals..

In addition to reviewing executive officers' compensation against comparable groups, the Committee also considers recommendations from the President and Chief Executive Officer regarding total compensation for executive officers who report directly to him. Management also provides the Committee with historical data for the total compensation and components for each executive officer. Considerable weight was given to the historical data of Cyclacel.

### Compensation Components

#### Base Salary

The salaries of our executive officers are the only non-variable element of our compensation and are reviewed on an annual basis. The salaries reflect each executive's responsibilities, the importance and impact of the executive's role, and the contribution each executive delivers to Cyclacel. Salary revisions are based on an evaluation of the individual's performance, as part of the company's Annual Performance Review process and related salary revision matrix, in addition to level of pay compared to biotechnology industry peer group company levels. Within this comparison group, we seek to make comparisons to executives who are comparable in terms of (a) level of responsibility and (b)



expected level of contribution to our performance. Performance-related increases generally take effect as of January 1 of each year.

#### Annual Cash Bonus

Our annual “Incentive Compensation Plan” is designed to reward achievement at specified levels of corporate and individual performance. For 2006, the performance criteria were related to corporate objectives only. For 2007 and going forward, it is anticipated that the performance criteria are to be established in relation to both organizational goals and objectives related to the individual officer’s specific area of responsibility. The Committee determines the amount of each executive’s bonus based on an assessment by the Committee of such officer’s progress toward achieving the established goals. Bonuses are typically awarded on an annual basis. Each officer position has an assessed target bonus level, expressed as a percent of annual salary. The target bonus levels which are to be reviewed for 2007 are set to be competitive with target bonuses for similar positions in peer companies and are based on a number of factors, including market trends in business generally, and in the biopharmaceutical industry in particular.

In 2006, the performance objectives for our executive officers were as follows:

- Seliciclib to begin Phase IIb double-blinded randomized discontinuation trial in 3rd-line Non-Small Cell Lung Cancer;

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- Sapacitabine to begin Phase I hematology study;
- CYC116 Aurora kinase inhibitor file IND submission; and
- Sapacitabine Phase I hematology interim data.

In assessing performance against the objectives for 2006, the Committee considered the actual results against the specific deliverables associated with each objective, the extent to which each objective was a challenging one for the organization and whether any external factors had an impact on these objectives. The Committee assessed the level of achievement against each objective and then determined an overall assessment for each executive officer. The Committee also considered the performance achievements in relation to shareholder value.

#### Long-Term Equity Compensation

We believe that long-term incentive compensation, in the form of stock options and restricted stock grants, ensures that our executive officers have an ongoing stake in the long-term success of the company, as well as giving our employees the opportunity to share in any appreciation in the value of our common stock. The Committee supports the belief that equity participation aligns employees’ interests with those of the shareholders. However we have not yet instituted stock ownership or retention guidelines for executives or directors of Cyclacel.

Our stock option plan enables us to:

- enhance the link between the creation of shareholder value and long-term executive incentive compensation;
- provide an opportunity for increased equity ownership by executives; and
- maintain competitive levels of compensation.

Stock option levels are determined based on internal capacity and independent market data, vary among participants based on positions within the company and are generally granted on an annual basis. The amounts of the awards are

designed to reward past performance and create incentives to meet longer-term objectives.

Awards are made at a level calculated to be competitive relative to peer companies within the sector in which we operate. We grant non-qualified stock options and incentive stock options at an exercise price set by the value of the company's common stock at the close of market trading on the date of the grant and it is the Committee's intention to make such grants only on trading days. The option-vesting periods encourage officers and all company employees to work with a long-term view of our performance, and reinforce their long-term affiliation with the company. The stock option plan provisions help reduce officer and employee turnover so that we may retain the knowledge and skills of our valued officers and employees. The plan provides that awards will be cancelled if an executive officer violates certain provisions of the plan. These provisions include prohibitions against engaging in activity that is detrimental to us, such as performing services for a competitor, disclosing confidential information or soliciting customers away from the company.

In 2006, the named executive officers were awarded a number of stock options under the 2006 Equity Incentive Plan, with an exercise price equal to the fair market value of Cyclacel common stock on the date of grant. Accordingly, those stock options will have value only if the market price of our common stock increases after that date. The number of stock options granted to our named executive officers in 2006 are outlined in the table describing Grants of Plan-Based Awards.

#### Other Benefits

We provide a number of benefits as part of our overall remuneration package to all eligible employees including the named executive officers.

We also operate two defined contribution retirement plans — a qualified 401(k) Plan for our US-based employees, including some of the named executive officers, and a group personal pension

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plan for our UK-based employees, which include our other named executive officers. Each plan allows employees to contribute up to the limits imposed by the Internal Revenue Code (US) and Inland Revenue (UK) on a pre- or after-tax basis. We provide for matching payments up to a maximum of six percent of employee contributions.

We also provide other benefits such as medical, dental, life insurance and long-term disability coverage to each named executive officer, as well as to the majority of our other employees.

In addition, we provide vacation and other paid holidays to all employees, including our named executive officers, which are in line with our peers in the industry.

#### Tax Considerations

The Committee's compensation strategy is to be cost and tax effective. Therefore, the Committee's policy is to preserve corporate tax deductions, while maintaining the flexibility to approve compensation arrangements that it deems to be in the best interests of the company and its shareholders, even if such arrangements do not always qualify for full tax deductibility. While there are differences in US and UK tax laws regarding compensation, we have attempted to design our strategy to be as beneficial to all of our employees as possible, regardless of geographical location.

## President and Chief Executive Officer's Compensation

The Committee does not rely solely on predetermined formulae or a limited set of criteria in evaluating the President and Chief Executive Officer's performance for the year. Our philosophy, goals and performance expectations are similar to those previously discussed for our other named executive officers. For fiscal year 2006, Mr. Rombotis' annual base salary was \$400,000. In determining Mr. Rombotis' compensation for fiscal year 2007, the Committee considered the continuing achievement of our short- and longer-term goals. The Committee also considered the effectiveness of Mr. Rombotis' leadership of Cyclacel and the resulting success in the attainment of priority goals, particularly those related to clinical development of its lead candidates, regulatory filings, product pipeline development, financial strength of the company and Mr. Rombotis' overall compensation relative to that of other chief executive officers in the biotechnology industry.

The compensation actions described below are based on the Committee's assessment of Mr. Rombotis' ongoing performance, how his contributions impacted Cyclacel's results for fiscal 2006 and the importance of his continued leadership to our success in the future. As such, on December 21, 2006, based on the overall assessment of the foregoing factors, the Committee increased Mr. Rombotis' base salary to \$425,000, effective as of January 1, 2007. In addition, the Committee awarded Mr. Rombotis an annual cash incentive award of \$175,000. The Committee also awarded Mr. Rombotis 160,000 stock options on December 21, 2006, under the 2006 Equity Incentive Plan.

Mr. Rombotis' total compensation for 2006 was \$809,180 (this compensation is for the nine-month period from March 27, 2006, when Mr. Rombotis became an employee and named executive officer of the company, to December 31, 2006). The Committee believes that Mr. Rombotis' total compensation is competitive, fair and consistent with our corporate results and compensation philosophy.

Based on this review, the Committee finds the President and Chief Executive Officer's total compensation in the aggregate to be reasonable and not excessive.

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### Summary Compensation Table

The following table shows the compensation paid or accrued during the fiscal year ended December 31, 2006 to (1) our President and Chief Executive Officer, (2) our Chief Operating Officer and Executive Vice President, Finance and (3) our three most highly compensated executive officers, other than our President and Chief Executive Officer and our Chief Operating Officer and Executive Vice President, Finance, who earned more than \$100,000 during the fiscal year ended December 31, 2006. The table includes additional executives who would have been among the three most highly compensated executive officers, other than our President and Chief Executive Officer and our Chief Operating Officer and Executive Vice President, Finance, except for the fact that they were not serving as executive officers of the Company as of the end of December 31, 2006. The amounts reflect the compensation paid or accrued to the executive officers in the nine-month period from March 27, 2006, when the individual became an employee and executive officer of the company following the merger transaction between Xcyte Therapies, Inc. and Cyclacel Limited, to December 31, 2006.

Year

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Name and Principal Position	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total (\$)
Spiro Rombotis, President and Chief Executive Officer <sup>(1)</sup>	2006	300,000	175,000	—	313,666	—	20,514	809,180
Paul McBarron, Chief Operating Officer and Executive Vice President, Finance <sup>(1)</sup>	2006	200,972	110,000	—	203,996	—	26,313	541,281
Robert C Jackson, Ph.D., Senior Vice President and Chief Scientific Officer <sup>(1)</sup>	2006	187,348	—	—	199,747	—	28,334	415,429
Judy Chiao, M.D., Vice President Clinical Development and Regulatory Affairs <sup>(1)</sup>	2006	195,938	100,000	—	156,990	—	13,989	466,917
John F. Womelsdorf, Ph.D., Vice President, Business Development <sup>(2)</sup>	2006	104,167	25,000	—	16,599	—	9,232	154,998
Robert Kirkman, M.D., Former President and Chief Executive Officer <sup>(3)</sup>	2006	84,230	150,000	—	4,163	—	150,000	388,393
Kathi L. Cordova, Former Senior Vice President of Finance and Treasurer <sup>(4)</sup>	2006	49,041	—	—	2,306	—	200,037	251,384

(1) The figures reflect the total compensation paid to the executive officers in the nine-month period from March 27, 2006, when the individual became an employee and executive officer of Cyclacel, to December 31, 2006.

(2) John Womelsdorf's employment commenced on August 1, 2006.

(3) Robert Kirkman's employment ended on March 27, 2006. Dr. Kirkman received a bonus of \$150,000 on the completion of the merger transaction between Xcyte Therapies, Inc. and Cyclacel Limited.

- (4) Kathi Cordova's employment ended on March 27, 2006. Ms Cordova was paid a retention bonus of \$76,093 and, subsequently, severance of \$123,944.
- (5) All other compensation includes the following for all executive officers: payments for private medical insurance, life insurance and permanent health insurance. In addition, Mr. Rombotis, Mr. McBarron and Dr. Jackson were paid \$10,000 as compensation for the removal of their entitlement to an annual car allowance of \$10,000 to \$12,000; matching

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contributions made under the company's UK group personal pension plan, to Mr. McBarron (\$10,949) and to Dr. Jackson (\$11,272), and under the company's US 401(k) Plan, to Dr. Chiao (\$9,000). In addition, Dr. Kirkman was paid a bonus of \$150,000 and Ms. Cordova was paid a retention bonus of \$76,093 and, subsequently, severance of \$123,94.

Grants of Plan-Based Awards

The following table shows information regarding grants of non-equity incentive plan awards and grants of equity awards that we made during the fiscal year ended December 31, 2006 to each of the executive officers named in the Summary Compensation Table.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards <sup>(1)</sup> (\$/Sh)	Grant Date Fair Value of Stock Option Awards <sup>(2)</sup> (\$)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
		(\$)	(\$)	(\$)	(#)	(#)	(#)				
Spiro Rombotis President and Chief Executive Officer <sup>(3)</sup>	June 14, 2006	—	—	—	—	—	—	—	97,834	6.40	1,319,886
Paul McBarron Chief Operating Officer and Executive Vice President, Finance <sup>(3)</sup>	December 21, 2006	—	—	—	—	—	—	—	160,000	6.95	
Robert C Jackson, Ph.D.	June 14, 2006	—	—	—	—	—	—	—	63,680	6.40	834,603
	December 21, 2006	—	—	—	—	—	—	—	100,000	6.95	
	June 14, 2006	—	—	—	—	—	—	—	63,606	6.40	242,850

Senior Vice President and Chief Scientific Officer <sup>(3)</sup>	Judy Chiao, M.D	June 14, 2006	—	—	—	—	—	—	—	48,967	6.40	660,134
Clinical Development and Regulatory Affairs <sup>(3)</sup>	John F. Womelsdorf, Ph.D.	December 21, 2006	—	—	—	—	—	—	—	80,000	6.95	544,749
		September 1 2006	—	—	—	—	—	—	—	8,334	4.65	
		September 30, 2006	—	—	—	—	—	—	—	8,333	4.80	
		October 31, 2006	—	—	—	—	—	—	—	48,333	5.68	
		December 21, 2006	—	—	—	—	—	—	—	50,000	6.95	
Former President and Chief Executive Officer <sup>(5)</sup>	Robert Kirkman, M.D.	—	—	—	—	—	—	—	—	—	—	—
Former Senior Vice President of Finance and Treasurer <sup>(5)</sup>	Kathi L. Cordova	—	—	—	—	—	—	—	—	—	—	—

(1) The company's 2006 Equity Incentive Plan provides that the exercise price shall be determined by using the fair market value of the company's common stock which is defined under the 2006 Equity Incentive Plan as the closing price of the company's common stock on the NASDAQ Global Market on the grant date.

(2) The fair value of these grants was determined under FAS 123R.

(3) The figures reflect the total compensation paid to the executive officers in the nine-month period from March 27, 2006, when the individual became an employee and executive officer of the company to December 31, 2006.

(4) John Womelsdorf's employment commenced on August 1, 2006.

(5) Robert Kirkman's and Kathi Cordova's employment ended on March 27, 2006.

Option awards with a grant date of June 14, 2006 were two-thirds vested on the date of grant, with the remaining third vesting monthly over the 12 months to June 13, 2006. Options with a grant date of December 21, 2006 are exercisable over a four-year period with one-quarter (1/4) of the options granted vesting on December 20, 2007, the first anniversary of the grant date, and 1/36 of the balance of the options granted vesting monthly thereafter. The options granted to Dr. John Womelsdorf, apart from those with a grant date of December 21, 2006, vest over a three-year period.

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## Outstanding Equity Awards at Fiscal Year-End

The following table shows grants of stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended December 31, 2006, including both awards subject to performance conditions and non-performance-based awards, to each of the executive officers named in the Summary Compensation Table.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Market or Payout Number of Shares, Units or Rights That Have Not Vested (#)	Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Spiro Rombotis, President and Chief Executive Officer <sup>(1)</sup>	81,529	16,306 160,000	—	6.40 6.95	06/13/16 12/20/16	—	—	—	—
Paul McBarron, Chief Operating Officer and Executive Vice President, Finance <sup>(1)</sup>	53,067	10,613 100,000	—	6.40 6.95	06/13/16 12/20/16	—	—	—	—
Robert C Jackson, Ph.D., Senior Vice President and Chief Scientific Officer <sup>(1)</sup>	53,005	10,601	—	6.40	06/13/16	—	—	—	—
Judy Chiao, M.D., Vice President Clinical Development and Regulatory Affairs <sup>(1)</sup>	40,806	8,161 80,000	—	6.40 6.95	06/13/16 12/20/16	—	—	—	—

John F. Womelsdorf, Ph.D., Vice President, Business Development <sup>(2)</sup>	8,334 8,333 48,333 — 50,000	—	08/31/16 09/29/16 10/30/16 —12/20/16	—	—	—	—
Robert Kirkman, M.D., Former President and Chief Executive Officer <sup>(3)</sup>	—	—	—	—	—	—	—
Kathi L. Cordova, Former Senior Vice President of Finance and Treasurer <sup>(3)</sup>	—	—	—	—	—	—	—

(1) The figures reflect the total compensation paid to the executive officers in the nine-month period from March 27, 2006, when the individual became an employee and executive officer of the company, to December 31, 2006.

(2) John Womelsdorf's employment commenced on August 1, 2006.

(3) Robert Kirkman's and Kathi Cordova's employment ended on March 27, 2006.

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### Option Exercises and Stock Vested

None of the executive officers named in the Summary Compensation Table exercised options to purchase our common stock during the fiscal year ended December 31, 2006.

### Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Spiro Rombotis President and Chief Executive Officer <sup>(3)</sup>		—	—	None
Paul McBarron Chief Operating Officer and Executive Vice President, Finance <sup>(3)</sup>	(1)	—	—	10,949
Robert C Jackson, Ph.D. Senior Vice President and Chief Scientific Officer <sup>(3)</sup>	(1)	—	—	11,272



Judy Chiao, M.D. Vice President Clinical Development and Regulatory Affairs <sup>(3)</sup>	(2)	—	—	9,000
John F. Womelsdorf, Ph.D. Vice President, Business Development <sup>(4)</sup>		—	—	None

(1) Represents matched contributions paid by the company to our UK group personal pension plan.

(2) Represents matched contributions paid by the company to our US 401(K) retirement plan.

(3) The figures reflect the total compensation paid to the executive officers in the nine-month period from March 27, 2006, when the individual became an employee and executive officer of the company, to December 31, 2006.

(4) John Womelsdorf's employment commenced on August 1, 2006.

#### Employment Agreements and Potential Payments

We currently do not have employment agreements or severance agreements with either Mr. Rombotis or Mr. McBarron, and our existing agreements with the other named executive officers do not provide for severance or change of control payments. We may be reviewing the advisability of change of control agreements in 2007. Our stock option grants to our named executive officers typically include certain vesting acceleration provisions with respect to a termination or change in control. These provisions are designed to allow the holders of our stock options to be rewarded for their performance during events which may adversely impact them but that are not within their control.

#### Director Compensation

Non-employee directors receive a fee for their services as members of the Board of Directors and any committee of the Board of Directors in the amount of an annual retainer of \$20,000, with an additional \$7,000 for chairing either the Compensation and Organization Development Committee or Nominating and Corporate Governance Committee, or an additional \$10,000 for chairing the Audit Committee, plus \$2,000 for each board meeting attended in person and \$1,000 for each board meeting attended telephonically. The non-employee directors are also reimbursed for certain customary business expenses in connection with attending board and committee meetings. The Chairman of our board receives a \$54,000 annual retainer for his service as Chairman and the Vice Chairman receives a \$34,000 annual retainer for his services. In addition, the Chairman and Vice Chairman are each entitled to receive annually an option to purchase 50,000 shares of our common stock; each of the other non-employee directors is entitled to receive annually an option to purchase 25,000 shares of our common stock and the Chair of the Audit Committee is entitled to receive annually an option to purchase 10,000 shares of our common stock.

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As described more fully below, this chart summarizes the annual cash compensation for the company's non-employee directors during 2006.

Director Compensation for Fiscal Year-End

December 31, 2006

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
David U'Prichard, Ph.D Chairman; Director <sup>(1)</sup>	58,500	—	117,764	—	—	—	176,264
John Banham Director <sup>(1)</sup>	35,250	—	58,882	—	—	—	94,132
Christopher S. Henney, Ph.D., D.Sc., Vice Chairman; Director <sup>(2)</sup>	75,750	—	131,272	—	—	250,000 <sup>(3)</sup>	457,022
Daniel Spiegelman, Director <sup>(2)</sup>	41,000	—	84,043	—	—	—	125,043
Gordon McVie, M.D., Ph.D., Director <sup>(1)</sup>	28,000	—	58,882	—	—	—	86,882

## Note:

- (1) Served as director of the company from March 27, 2006 to December 31, 2006.  
(2) Served as directors of the company for the full year ending December 31, 2006.  
(3) Represents a bonus payment on the successful completion of the merger transaction between Xcyte Therapies, Inc. and Cyclacel Limited.

## Equity Compensation Plan Information

The following table provides certain aggregate information with respect to all of our equity compensation plans in effect as of December 31, 2006:

Plan Category	(a) No. 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))
Equity compensation plans approved by security holders <sup>(1)</sup>	1,335,841	—	303,454
Equity compensation plans not approved by security holders	—	—	—
Total	1,335,841	—	303,454 <sup>(1)</sup>

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- (1) These plans consist only of our 2006 Equity Incentive Plan.
- (2) This figure does not include the shares of common stock subject to Proposal 2 relating to the amendment of our 2006 Equity Incentive Plan to increase the number of shares of common stock issuable under such plan.

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Compensation Committee Report

The Compensation and Organization Development Committee, comprised of independent directors, reviewed and discussed the Compensation Discussion and Analysis (CD&A), required by Item 402 (b) of Regulation S-K, which appears elsewhere in this proxy statement, with the company's management. Based on the review and discussions, the Compensation and Organization Development Committee recommended to the company's Board of Directors that the CD&A be included in these Proxy Materials.

Compensation and Organization Development Committee  
Dr. Christopher Henney (Chairman)  
Professor Gordon McVie  
Dr. David U'Prichard

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REPORT OF AUDIT COMMITTEE

The Audit Committee assists the Board in overseeing and monitoring the integrity of our financial reporting process, compliance with legal and regulatory requirements and the quality of internal and external audit processes. This committee's role and responsibilities are set forth in our charter adopted by the Board. This committee reviews and reassesses our charter annually and recommends any changes to the Board for approval.

In fiscal 2006, the Audit Committee met with management to consider the adequacy of the Company's internal controls and the objectivity of its financial reporting. The Audit Committee discussed these matters with the Company's independent auditors and with appropriate Company financial personnel.

The Audit Committee is responsible for overseeing our overall financial reporting process, and for the appointment, retention, and oversight of the work of Ernst & Young LLP.

This year, the Audit Committee reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2006 with management and Ernst & Young LLP, our independent auditors.

The Audit Committee received from and discussed with the independent auditors written disclosures and the letter required by Independence Standards Board Standard No. 1. (Independence Discussions with Audit Committees).

These items relate to that firm's independence from the Company

Based on the Audit Committee's review of the audited financial statements and discussions with management and Ernst & Young LLP, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

2006 Audit Committee  
Daniel Spiegelman (Chairman)  
Sir John Banham  
Dr. Christopher Henney

#### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. These persons are required by regulation to furnish us with copies of all Section 16(a) reports that they file. Based on our review of the copies of these reports received by us, or written representations from the reporting persons that no other reports were required, we believe that, during fiscal 2006, all filing requirements applicable to our current officers, directors and greater than ten percent beneficial owners were filed on a timely basis, except for the following persons: Austin W. Marx and David M. Greenhouse, filing jointly, did not timely file two reports representing two transactions; Spiro Rombotis did not timely file two reports representing two transactions; David U'Prichard did not timely file two reports representing four transactions; and each of Paul McBarron, Professor Gordon McVie, Dr. Robert Jackson, Dr. Christopher Henney, Dr. Robert Westwood, Dr. Judy Chiao, Sir John Banham and Daniel Spiegelman did not timely file one report representing one transaction.

#### Certain Relationships and Related Transactions

Our Audit Committee reviews and approves in advance all related-party transactions. There have been no transactions during our last fiscal year with our directors and officers and beneficial owners of more than five percent of our voting securities and their affiliates.

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#### PROPOSALS TO BE VOTED UPON BY STOCKHOLDERS

#### PROPOSAL 1: ELECTION OF CLASS 1 DIRECTORS

#### Background

Under our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, the number of directors is fixed from time to time by the Board of Directors. We have a staggered Board of Directors comprised of three classes, and each director serves until the annual meeting in which his class is nominated. Sir John Banham, Professor Gordon McVie and Daniel Spiegelman are in the class of directors whose term expires at the Annual Meeting and, if elected, would serve until our 2010 annual meeting.

The Board of Directors has voted to nominate Sir John Banham, Professor Gordon McVie and Daniel Spiegelman for election at the Annual Meeting to serve as Class 1 directors until the 2010 annual meeting of Stockholders and until

their respective successors have been elected and qualified.

Unless authority to vote for either of the nominees named above is withheld, the shares represented by the enclosed proxy will be voted FOR the election as directors of such nominees. In the event that any nominee shall become unable or unwilling to serve, the shares represented by the enclosed proxy will be voted for the election of such other person as the Board of Directors may recommend in his place. The Board of Directors has no reason to believe that any nominee will be unable or unwilling to serve.

#### Required Vote

A plurality of the votes cast at the Annual Meeting is required to elect each nominee as a director.

#### Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THE ELECTION OF SIR JOHN BANHAM, PROFESSOR GORDON McVIE AND DANIEL SPIEGELMAN AS CLASS 1 DIRECTORS, AND PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED IN FAVOR THEREOF UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.

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#### PROPOSAL 2: APPROVAL OF AMENDMENT OF THE 2006 EQUITY INCENTIVE PLAN

##### Background

At the Annual Meeting, the stockholders of the Company will be asked to approve the amendment of the 2006 Equity Incentive Plan, or the 2006 Plan, to increase the number of shares of common stock issuable under the 2006 Plan by an additional 1,384,205 shares, to an aggregate of 3,000,000 shares, which represents approximately 15% of the outstanding common stock.

The 2006 Plan was adopted by the Board of Directors of Xcyte Therapies, Inc. in March 2006 as part of the merger transaction with Cyclacel Limited and was amended upon approval of the stockholders, most recently in July 2006. On March 9, 2007, the Board approved an amendment of the 2006 Plan, subject to stockholder approval, to increase the number of shares of common stock authorized for issuance under the 2006 Plan by an additional 1,384,205 shares, to a total of 3,000,000 shares. The Board of Directors adopted this amendment because it believes that:

- additional shares are necessary to attract new employees and executives;
- additional shares are needed to further the goal of retaining and motivating existing personnel;
- and
- the issuance of options to our employees is an integral component of the Company's compensation policy.

There are currently no stock options reserved under this plan for future grants to executive officers.

The following table sets forth information with respect to the stock options which have been granted to the named executive officers, all current executive officers as a group, all current directors who are not executive officers as a

group, and all employees and consultants (including all current officers who are not executive officers) as a group under the 2006 Plan.

Name	Number of shares subject to options granted under the 2006 Plan
Spiro Rombotis	257,834
Paul McBarron	163,680
Dr. Robert Jackson	63,606
Dr. Judy Chiao	128,967
Dr. John Womelsdorf	115,000
All current executive officers as a group (2 persons)	421,514
All directors who are not executive officers (6 persons)	395,000
All employees and consultants (including all current officers who are not executive officers) as a group (46 persons)	243,192

Brokers do not have discretion to vote on this proposal without your instruction. If you do not instruct your broker how to vote on this proposal, your broker will deliver a non-vote on this proposal. Broker non-votes, if any, will have no effect on the outcome of the vote on this proposal. Abstentions will have the effect of a vote “against” the proposal.

#### Summary of the 2006 Plan

A copy of the 2006 Plan has been filed with the SEC as an appendix to the electronic version of this proxy statement filed via EDGAR, and is available on the SEC’s website (<http://www.sec.gov>). The following description of the 2006 Plan is a summary and, as such, is qualified by reference to the complete text of the 2006 Plan.

#### Description of the Equity Incentive Plan

General. The purpose of the equity incentive plan is to provide a means by which directors, officers and other employees of Cyclacel, its parent and subsidiaries can acquire and maintain

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ownership in Cyclacel, thereby strengthening their commitment to the success of Cyclacel and its subsidiaries and their desire to remain employed by Cyclacel and its subsidiaries. The equity incentive plan is also intended to attract, employ and retain directors, officers and other employees, to provide such people with additional incentive reward opportunities designed to encourage them to enhance the profitable growth of Cyclacel and its subsidiaries, and to permit the payment of compensation that qualifies as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended, (“Section 162(m)”). The equity incentive plan permits the grant of stock options, which may be either “incentive stock options” or nonstatutory stock options, restricted stock, restricted stock units, performance units, performance shares and stock appreciation rights (each, an “Award”).

**Administration.** The equity incentive plan generally may be administered by Cyclacel’s board of directors or the compensation committee of the board, in either case referred to as the “Administrator.” The Administrator may make any determinations deemed necessary or advisable for the equity incentive plan. The compensation committee generally will consist of two or more directors who qualify as “non-employee directors” under Rule 16b-3 of the Securities Exchange Act of 1934, and as “outside directors” under Section 162(m) (so that the Company is entitled to a federal tax deduction for certain compensation paid under the equity incentive plan). Notwithstanding the foregoing, the Administrator may delegate its authority to administer the equity incentive plan.

Subject to the terms of the equity incentive plan, the Administrator has the sole discretion to select the employees, consultants, and directors who will receive Awards, determine the terms and conditions of Awards (for example, the exercise price and vesting schedule), and interpret the provisions of the equity incentive plan and outstanding Awards. The Administrator may not, however, reprice Awards or exchange Awards for other Awards, cash or a combination thereof, without the approval of the stockholders. The Administrator may also provide that all or a portion of an Award shall be deferred or may approve a deferral election by the Award recipient.

**Eligibility.** The Administrator selects the employees, consultants, and directors of Cyclacel or any parent or subsidiary of Cyclacel who will be granted Awards under the equity incentive plan. However, only employees may be granted incentive stock options. The actual number of individuals who will receive Awards cannot be determined in advance because the Administrator has the discretion to select the participants.

**Limitations.** Section 162(m) of the Code places limits on the deductibility for federal income tax purposes of compensation paid to certain of Cyclacel’s executive officers. In order to preserve Cyclacel’s ability to deduct the compensation income associated with options granted to such persons, the equity incentive plan provides that no employee may be granted, in any fiscal year of Cyclacel, (1) options to purchase more than 150,000 shares of Cyclacel’s common stock, (2) stock appreciation rights covering more than 150,000 shares, (3) restricted stock and restricted stock units covering more than 75,000 shares in the aggregate, and (4) performance shares and performance units covering more than 75,000 shares in the aggregate. Notwithstanding this limit, however, in connection with such individual’s initial employment with Cyclacel, he or she may be granted (1) options to purchase an additional 125,000 shares of Cyclacel’s common stock, (2) stock appreciation rights covering an additional 125,000 shares, (3) restricted stock and restricted stock units covering an additional 50,000 shares in the aggregate, and (4) performance shares and performance units covering an additional 50,000 shares in the aggregate.

**Terms and Conditions of Awards.** Each Award is evidenced by an Award agreement between Cyclacel and the recipient and is subject to the terms and conditions determined by the Administrator in accordance with the equity incentive plan.

### Stock Options

A stock option is the right to acquire shares of common stock at a fixed exercise price for a fixed period of time. Under the equity incentive plan, the Administrator may grant nonstatutory stock options and/or incentive stock options (which entitle employees, but not Cyclacel, to more favorable tax treatment). The Administrator will determine the number of shares covered by each option, subject to the limitations described above.

(a) **Exercise Price.** The exercise price of the shares subject to each option is set by the Administrator but cannot be less than 100% of the fair market value (on the date of grant) of the shares covered by the option. In addition, the exercise price of an incentive stock option must be at least 110% of fair market value if (on the grant date) the participant owns stock possessing more than 10% of the total combined voting power of all classes of stock of Cyclacel or any of its 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.

(b) **Exercise of Option; Form of Consideration.** The administrator determines when options become exercisable, and may, in its discretion, accelerate the vesting of any outstanding option. The means of payment for shares of common stock issued upon exercise of an option is specified in each option agreement. The equity incentive plan permits payment to be made by cash, check, other shares of Cyclacel's common stock (with some restrictions), cashless exercises, a reduction in the amount of Cyclacel's liability to the optionee, any other form of consideration permitted by applicable law, or any combination thereof.

(c) **Term of Option.** The term of an option may be no more than ten (10) years from the date of grant; provided, however, that in the case of an incentive stock option granted to a 10% stockholder, the term of the option may be no more than five (5) years from the date of grant. No option may be exercised after the expiration of its term.

(d) **Nontransferability of Options.** Unless otherwise determined by the administrator, options granted under the equity incentive plan are not transferable other than by will or the laws of descent and distribution, and may be exercised during the optionee's lifetime only by the optionee.

(e) **Other Provisions.** The stock option agreement may contain other terms, provisions and conditions not inconsistent with the equity incentive plan as may be determined by the administrator.

#### Stock Appreciation Rights

Stock appreciation rights are Awards that grant the participant the right to receive an amount equal to (1) the number of shares exercised, times (2) the amount by which Cyclacel's stock price exceeds the exercise price. An individual will be able to profit from a stock appreciation right only if the fair market value of the stock increases above the exercise price. Cyclacel's obligation arising upon the exercise of a stock appreciation right may be paid in shares or in cash, or any combination thereof, as the Administrator may determine.

Awards of stock appreciation rights may be granted in connection with all or any part of an option or may be granted independently of options. There are 2 types of stock appreciation rights available for grant under the Plan. A "tandem" stock appreciation right is a stock appreciation right granted in connection with an option that entitles the participant to exercise the stock appreciation right by surrendering to the Company a portion of the unexercised related option. A tandem stock appreciation right may be exercised only with respect to the shares for which its related option is then exercisable. A "freestanding" stock appreciation right is one that is granted independent of any options.

The Administrator determines the number of stock appreciation rights granted, subject to the limits discussed above. The Administrator sets the terms of stock appreciation rights, except that the exercise price of a tandem stock appreciation right will be equal to the exercise price of the related option and the exercise price of a freestanding stock appreciation rights will not be less than 100% of the fair market value of a share on the grant date. The term of a stock appreciation right may not exceed ten (10) years from the date of grant.

When a tandem stock appreciation right granted in connection with an option is exercised, the related option, to the extent surrendered, will cease to be exercisable. A tandem stock appreciation right which is granted in connection with an incentive stock option (a) will expire no later than the date on which the related option ceases to be exercisable or expires, (b) will be exercisable only when the fair market value of the shares subject to the related incentive stock



option exceeds the exercise

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price of the related option and, (c) the value of the payout with respect to the tandem stock appreciation right may be no more than 100% of the difference between the exercise price of the underlying incentive stock option and the fair market value of the shares subject to the underlying option at the time the tandem stock appreciation rights is exercised. A freestanding stock appreciation right, which is granted without a related option, will be exercisable, in whole or in part, at such time as the Administrator will specify in the stock appreciation right Award agreement.

### Restricted Stock and Restricted Stock Units

Awards of restricted stock are shares that vest in accordance with the terms and conditions established by the Administrator. Awards of restricted stock units are shares that vest in accordance with terms and conditions established by the Administrator.

The Administrator may set vesting criteria based upon the achievement of Company-wide, subsidiary-wide, departmental, regional, functional, divisional, business unit or individual goals, applicable federal or state securities laws, or any other basis (including, without limitation, relative to the performance of other corporations or to continued employment or service), applicable federal or state securities or any other basis determined by the Committee. If the Administrator desires that the Award qualify as performance-based compensation under Section 162(m), any restrictions will be based on a specified list of performance goals (see “Performance Goals” below for more information). The Administrator will determine the number of shares of restricted stock and the number of restricted stock units granted to any employee, consultant or director, subject to the limitations described above.

Unless the Administrator determines otherwise, shares of restricted stock will be held by the Company until any restrictions on the shares have lapsed. The Administrator may accelerate the time at which any restriction on restricted stock or restricted stock units may lapse or be removed. On the date set forth in the Award agreement, all unvested restricted stock will be forfeited to Cyclacel. When the applicable restrictions have lapsed, the recipient of an Award of restricted stock units shall be entitled to receive a payout of the number of restricted stock units as specified in the Award agreement. The Administrator, in its sole discretion, may pay earned restricted stock units in cash, shares, or a combination thereof.

### Performance Shares and Performance Units

Performance shares and performance units are Awards that will result in a payment to a participant only if performance goals and/or other vesting criteria established by the Administrator are achieved or the Awards otherwise vest. The applicable performance objectives will be determined by the Administrator, and may be based upon the achievement of goals which may be company-wide, subsidiary-wide, departmental, regional, functional, divisional, business unit or individual goals, applicable federal or state securities laws (including, without limitation, relative to the performance of other corporations or to continued employment or service), applicable federal or state securities or any other basis determined by the Committee. Notwithstanding the foregoing, if the Administrator desires that the Award qualify as performance-based compensation under Section 162(m), any restrictions will be based on a specified list of performance goals (see “Performance Goals” below for more information).

The Administrator will determine the number of performance shares and performance units granted to any employee, consultant or director, subject to the limitations described above.

Performance shares have an initial value equal to the fair market value of a share on the date of grant and performance units have an initial value that is established by the Administrator on or before the grant date. Performance shares may be granted to employees, consultants or directors at any time as shall be determined by the Administrator in its sole discretion.

Payment of earned performance units or performance shares shall be made as soon as practicable after the expiration of the applicable performance period. The Administrator, in its sole discretion, may pay such earned Awards in cash, shares, or a combination thereof. On the date set forth in the Award agreement, all unearned or unvested performance shares will be forfeited to the Company.

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### Performance Goals

Under Section 162(m), the annual compensation paid to our chief executive officer and to each of our other four most highly compensated executive officers may not be deductible to the extent it exceeds \$1 million. However, we are able to preserve the deductibility of compensation in excess of \$1 million if the conditions of Section 162(m) are met. These conditions include stockholder approval of the equity incentive plan, setting limits on the number of Awards that any individual may receive and for Awards other than options and stock appreciation rights, establishing performance criteria that must be met before the award actually will vest or be paid.

We have designed the equity incentive plan so that it permits us to pay compensation that qualifies as performance-based under Section 162(m). Thus, the Administrator (in its discretion) may make performance goals applicable to a participant with respect to an Award. At the Administrator's discretion, one or more of the following performance goals may apply (all of which are defined in the equity incentive plan): cash position, earnings per share, net income, operating cash flow, operating income, return on assets, return on equity, return on sales, revenue and total stockholder return. The Performance Goals may differ from participant to participant and from Award to Award.

Any criteria used may be measured, as applicable (1) in absolute terms, (2) in relative terms (including, but not limited to, passage of time and/or against another company or companies), (3) on a per-share basis, (4) against the performance of Cyclacel as a whole or a business unit of Cyclacel, and/or (5) on a pre-tax or after-tax basis. The Administrator also will adjust any evaluation of performance under a performance goal to exclude (i) any extraordinary non-recurring items, or (ii) the effect of any changes in accounting principles affecting the Company's or a business units' reported results.

### Miscellaneous

**Nontransferability.** While an Award is subject to restrictions or has not fully vested, the Award generally may not be sold, transferred, pledged, assigned or otherwise alienated.

**Termination of Service.** If an Award recipient's service relationship with Cyclacel terminates for "cause" (as defined in the equity incentive plan), then any unexercised Award shall terminate immediately upon his or her termination of service. If an Award recipient's service relationship with Cyclacel terminates for any reason other than for "cause"

(excluding death or disability), then the recipient generally may exercise the Award, to the extent vested, within thirty (30) days of such termination to the extent that the Award is vested on the date of termination (but in no event later than the expiration of the term of the Award as set forth in the Award agreement). If the recipient dies within three (3) months following such a termination, the Award generally may be exercised, to the extent vested, within 180 days' of the recipient's death. If an Award recipient's service relationship with Cyclacel terminates due to his or her death, the Award recipient's personal representative, estate, or the person who acquires the right to exercise the Award by bequest or inheritance, as the case may be, generally may exercise the Award, to the extent the Award was vested on the date of termination, within one (1) year from the date of the recipient's death. If an Award recipient's service relationship with Cyclacel terminates due to his or her death, the recipient's estate, or the person who acquires the right to exercise the option by bequest or inheritance, as the case may be, generally may exercise the Award, to the extent the Award was vested on the date of termination, within one (1) year from the date of the recipient's death. If an Award recipient's service relationship with Cyclacel terminates due to his or her disability, the recipient, the recipient's personal representative, estate, or the person who acquires the right to exercise the Award by bequest or inheritance, as the case may be, generally may exercise the Award, to the extent the Award was vested on the date of termination, within one (1) year from the date of the recipient's termination, or if the recipient dies during such one-year period, within the later of one (1) year from the date of the recipient's termination and 180 days from the recipient's death. In no event may an Award be exercised later than the expiration of the term of the Award as set forth in the Award agreement.

**Adjustments Upon Changes in Capitalization.** In the event that Cyclacel's common stock changes by reason of any stock split, reverse stock split, stock dividend, merger, reorganization, consolidation,

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recapitalization, separation, liquidation, repurchase, spin-off, split-up, share combination, reclassification or other similar change in Cyclacel's capital structure, appropriate adjustments shall be made in the number and class of shares of stock subject to the equity incentive plan, the Section 162(m) limits regarding the per-person limits on the number of Awards that may be granted to a participant in any year and in connection with the participant's initial employment with Cyclacel, the number, class and price of shares of stock subject to any Award outstanding under the equity incentive plan.

In the event of a liquidation or dissolution, all outstanding Awards will terminate immediately prior to the consummation of the proposed action, unless the Administrator determines otherwise. The Administrator may, in its sole discretion, provide that each Award recipient shall have the right to exercise all or any part of the outstanding Award, and that the restrictions on other Awards will lapse in full.

In connection with a merger with or into another corporation or a "change of control," as defined in the equity incentive plan, each outstanding Award shall be assumed or an equivalent award substituted by the successor corporation. If the successor corporation refuses to assume the Awards or to substitute substantially equivalent awards, the Award will immediately vest and become exercisable as to all of the shares subject to such Award, or, if applicable, the Award will be deemed fully earned and will be paid out prior to the merger or change of control. In addition, if an option, stock appreciation right or right to purchase restricted stock has become fully vested and exercisable in lieu of assumption or substitution, the Committee will provide notice that the option, stock appreciation right or right to purchase restricted stock will immediately vest and become exercisable as to all of the shares subject to such Award and all outstanding options, stock appreciation rights and rights to purchase restricted stock will terminate upon the expiration of such notice period.

Amendment and Termination of the Plan. Cyclacel's board of directors may amend, alter, suspend or terminate the equity incentive plan, or any part thereof, at any time and for any reason. However, Cyclacel will obtain stockholder approval for any amendment to the equity incentive plan to the extent necessary and desirable to comply with applicable law. Unless terminated earlier, the equity incentive plan shall terminate ten (10) years from the date the equity incentive plan was adopted by Cyclacel's board of directors.

#### Awards to be Granted to Certain Individuals and Groups

The number of Awards (if any) that an employee, consultant, or director may receive under the equity incentive plan is in the discretion of the Administrator and therefore cannot be determined in advance. Our executive officers and directors have an interest in this proposal because they are eligible to receive Awards under the equity incentive plan. No equity awards have been made under the equity incentive plan. We expect that Cyclacel will grant equity awards to its executive officers following the completion of the Stock Purchase; however, the precise terms of such awards have not yet been determined.

#### Material Federal U.S. Income Tax Consequences of the Equity Incentive Plan

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

#### Nonstatutory Stock Options

No taxable income is recognized when a nonqualified stock option is granted to a participant. Upon exercise, the participant generally will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the exercise date over the exercise price. Any additional gain or loss recognized upon later disposition of the shares is capital gain or loss. Note that as a result of the American Jobs Creation Act of 2004, nonstatutory stock options granted with an exercise price below the fair market value of the underlying stock may be taxable to participants before exercise of the option. As of the date hereof, how such options will be taxed is unclear.

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#### 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 nonstatutory 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. Any additional gain or loss will be capital gain or loss.

#### Stock Appreciation Rights

No taxable income is reportable when a stock appreciation right is granted to a participant. Upon exercise, the participant generally 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, Restricted Stock Units, Performance Shares and Performance Units

A participant generally will not have taxable income upon grant unless he or she elects to be taxed at that time. Instead, he or she generally 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. Note that as a result of the American Jobs Creation Act of 2004, restricted stock units and performance shares may be subject to additional tax if the Award is not granted and administered in compliance with the provisions of the American Jobs Creation Act of 2004.

#### Tax Effect for Cyclacel

Cyclacel generally will be entitled to a tax deduction in connection with an Award under the equity incentive plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonqualified stock option). As discussed above, special rules limit the deductibility of compensation paid to our Chief Executive Officer and to each of our four most highly compensated executive officers. However, the equity incentive plan has been designed to permit the Administrator to grant Awards that qualify as performance-based compensation under Section 162(m), thereby permitting Cyclacel to receive a federal income tax deduction in connection with such Awards.

The foregoing is only a summary of the effect of U.S. federal income taxation upon us and award recipients with respect to the grant and exercise of Awards under the equity incentive plan. It does not purport to be complete, and does not discuss the tax consequences of the employee's, director's or consultant's death or the provisions of the income tax laws of any municipality, state or foreign country in which the employee, director or consultant may reside.

#### Vote Required

Approval of the 2006 Plan requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to be voted on the proposal at the Annual Meeting.

#### Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THE APPROVAL OF THE AMENDMENT OF THE 2006 EQUITY INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK ISSUABLE THEREUNDER BY 1,384,205 SHARES TO AN AGGREGATE OF 3,000,000 SHARES OF COMMON STOCK.

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#### PROPOSAL 3: RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

#### Background

The Audit Committee has appointed Ernst & Young LLP, independent public accountants, to audit our financial statements for the fiscal year ending December 31, 2007. The Board of Directors proposes that the stockholders ratify this appointment. Ernst & Young LLP audited our financial statements for the fiscal year ended December 31, 2006. The Company expects that representatives of E&Y UK will be present at the Meeting via conference call, with the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

Pursuant to the terms of a Stock Purchase Agreement, dated as of December 15, 2005, as amended (the “Stock Purchase Agreement”), by and between Cyclacel Group plc, or Cyclacel Group, and Xcyte Therapies, Inc., or the Registrant, (a) the Registrant acquired from Cyclacel Group all of the issued and outstanding share capital of Cyclacel Limited in exchange for an aggregate of 7,761,453 shares of the Registrant’s common stock, (b) the Registrant was renamed “Cyclacel Pharmaceuticals, Inc.” and (c) the Registrant’s board of directors and management were changed.

In connection with the transactions contemplated by the Stock Purchase Agreement, on April 10, 2006, Ernst & Young LLP (US) (“E&Y US”), who was previously engaged as the independent registered public accounting firm to audit our financial statements, resigned, which resignation was accepted by the Registrant’s board of directors, and Ernst & Young LLP (UK) (“E&Y UK”), who was previously engaged as the principal auditors to audit Cyclacel Limited’s financial statements, was appointed by the Registrant’s board of directors as the independent registered public accounting firm to audit the Registrant’s financial statements. This change in accountants was effected solely as a result of the completion of the transactions contemplated by the Stock Purchase Agreement.

E&Y US’s audit reports on the financial statements of the Registrant for the years ended December 31, 2004 and 2005 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the Registrant’s two most recent fiscal years and any subsequent interim period prior to the date of this report, there were no disagreements with E&Y US 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 E&Y US, would have caused it to make reference to the subject matter thereof in connection with its report.

During the Registrant’s two most recent fiscal years and any subsequent interim period prior to the date of this report, none of the events described in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), occurred.

During the Registrant’s two most recent fiscal years and any subsequent interim period prior to the date of this report, neither the Registrant nor anyone acting on its behalf consulted E&Y UK regarding (a) the application of accounting principles to a specified transaction, either completed or proposed or the type of audit opinion that might be rendered on the Registrant’s financial statements or (b) any (i) matter that was the subject of a disagreement with E&Y US on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of E&Y US, would have caused it to make reference to the subject matter thereof in connection with its report or (ii) events described in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K under the Exchange Act.

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The following table presents fees for professional audit services rendered by E&Y US for the audit of Cyclacel’s annual financial statements for the year ended December 31, 2006, and by E&Y UK for the audit of the Registrant’s

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annual financial statements for the year ended December 31, 2005, and fees billed for other services rendered by E&Y US and E&Y UK, respectively, during those periods.

	2006	2005
Audit fees <sup>(1)</sup>	\$ 762,820	\$ 400,650
Audited-related fees	—	\$ —
Tax fees <sup>(2)</sup>	\$ 84,926	\$ 11,000
All other fees <sup>(3)</sup>	—	\$ 180,000
Total	\$ 847,746	\$ 591,650

(1) Audit fees represent fees of Ernst & Young LLP for the audit of the company's annual consolidated financial statements; reviews of the company's quarterly results of operations and reports on Form 10-Q; the audit of management's assessment of the effectiveness of the company's internal control over financial reporting and the audit of internal control over financial reporting; and the services that an independent auditor would customarily provide in connection with subsidiary audits, other regulatory filings, and similar engagements for each fiscal year shown, such as attest services, consents, and assistance with review of documents filed with the SEC.

(2) Tax fees represent tax compliance and return preparation and tax planning and advice.

(3) All other fees in 2005 represent fees for professional services in connection with due diligence by Xcyte Therapies, Inc. of Cyclacel in connection with the Stock Purchase Agreement.

All of the services set forth above in the categories were approved by the Audit Committee pursuant to Rule 2-01(c)(7)(i)(C) promulgated under the Exchange Act (relating to the approval of a de minimis amount of non-audit services after the fact but before completion of the audit).

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors. Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for the next year's audit, management will submit an estimate of fees for the services expected to be rendered during that year for each of four categories of services to the Audit Committee for approval.

1. Audit services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. Tax services include all services performed by Ernst & Young LLP, which represents us in connection with our tax matters, except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

3. Other Fees are those associated with services not captured in the other categories.

Prior to engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted, and the Audit Committee requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original

pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

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In the event that ratification of the appointment of Ernst & Young LLP as our independent public accountants is not obtained at the Annual Meeting, the Board of Directors will reconsider its appointment.

#### Required Vote

The affirmative vote of a majority of the shares present and represented by proxy at the Annual Meeting is required to ratify the appointment of the independent public accountants.

#### Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE TO APPROVE THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT PUBLIC ACCOUNTANTS, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR THEREOF UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.

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#### CODE OF CONDUCT AND ETHICS

We have adopted a code of conduct and ethics that applies to all of our employees, including our chief executive officer and chief financial officers. The text of the code of conduct and ethics is posted on our website at [www.cyclacel.com](http://www.cyclacel.com). Disclosure regarding any amendments to, or waivers from, provisions of the code of conduct and ethics that apply to our directors and principal executive and financial officers will be included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver, unless website posting of such amendments or waivers is then permitted by the rules of the Nasdaq Stock Market, Inc.

#### OTHER MATTERS

The Board of Directors knows of no other business which will be presented to the Annual Meeting. If any other business is properly brought before the Annual Meeting, proxies in the enclosed form will be voted in accordance with the judgment of the persons voting the proxies.



## STOCKHOLDER PROPOSALS AND NOMINATIONS FOR DIRECTOR

To be considered for inclusion in the proxy statement relating to our Annual Meeting of Stockholders to be held in 2008, stockholder proposals must be received no later than December 10, 2007. If we do not receive notice of any matter to be considered for presentation at the Annual Meeting by March 21, 2008, management proxies may, although not included in the proxy statement, confer discretionary authority to vote on the matters presented at the Annual Meeting by a stockholder in accordance with Rule 14a-4 under the Securities Exchange Act. All stockholder proposals should be marked for the attention of Secretary, Cyclacel Pharmaceuticals, Inc., 200 Connell Drive, Suite 1500, Berkeley Heights, New Jersey, 07922.

Berkeley Heights, New Jersey  
April 5, 2007

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (other than exhibits thereto), which provides additional information about us, is available on our website ([www.cyclacel.com](http://www.cyclacel.com)).

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#### APPENDIX A

#### CYCLACEL PHARMACEUTICALS, INC.

#### COMPENSATION AND ORGANISATION DEVELOPMENT COMMITTEE CHARTER

##### Purpose

The purpose of the Compensation Committee (the “Committee”) established pursuant to this charter is to discharge the responsibilities of the Company’s Board of Directors (the “Board”) with respect to compensation matters for the Company’s executive officers and other employees, reporting annually to the Company’s stockholders on executive compensation matters, administration of the Company’s equity and other compensation plans, and such other actions and matters as the Board may from time to time authorize the Committee to undertake or assume responsibility for.

##### Membership and Power to Act

The Compensation Committee will be comprised of at least three members of the Board of Directors. Such members will be elected by and serve at the discretion of the Board. Each Committee member will serve on the Committee during his or her respective term as a Board member, subject to earlier removal by a majority vote of the Board. Unless a chair is elected by the Board, the members of the Committee may designate a chair by vote of the Committee.

As long as the Company’s Common Stock remains publicly traded, to the extent that the Board has members satisfying such criteria, each member of the Committee will be (1) “independent” as defined under applicable Nasdaq (or applicable stock exchange) rules (except as otherwise permitted under such rules), (2) a “non-employee director” under Rule 16b-3(b)(3)(i) promulgated under the Securities Exchange Act of 1934, and (ii) as an “outside director” under the rules promulgated under Section 162(m) of the Internal Revenue Code of 1986. These terms are more fully described on Exhibit A attached hereto.

If one or more members of the Committee are absent from a meeting of the Committee or being present at a meeting recuse themselves from an action taken, the remaining members of the Committee (provided there are at least two such members), acting unanimously, shall have the power to take any necessary action. No action of the Committee shall be valid unless taken pursuant to a resolution adopted and approved by at least two members of the Committee. No member of the Committee shall participate in any discussions or deliberations relating to such person's own compensation or other matters in which such person has a material interest.

Except with respect to matters relating to compensation of the Company's Chief Executive Officer, with respect to which the Board delegates to the Committee exclusive authority during such period of time that the Committee is impanelled with at least two qualifying members as required above, the Board simultaneously reserves to itself all authority delegated hereunder to the Committee. This reservation of authority does not in any way limit the Committee's authority to act definitively on matters delegated to it hereunder.

#### Meetings

The Committee will meet at such times as it deems appropriate to discharge its duties hereunder. The Committee may act by unanimous written consent.

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#### Responsibilities

The authority delegated to the Committee is set forth below. This description of authority is intended as a guide and the Committee may act and establish policies and procedures that are consistent with these guidelines or are necessary or advisable, in its discretion, to carry out the intent of the Board in delegating such authority and to fulfil the responsibilities of the Committee hereunder.

1. The Committee shall have the authority and responsibility to review and approve the Company's strategy, guiding principles, objectives, policies and practices in the areas of compensation, performance evaluation, benefits, management development and human resource planning.
2. The Committee shall have the authority and responsibility to assist the Board in developing and evaluating potential candidates for executive positions, including the Chief Executive Officer (CEO), executive vice presidents and senior vice presidents, and to oversee the development of executive and other senior management succession plans.
3. The Committee has exclusive authority to determine the amount and form of compensation paid to the Company's Chief Executive Officer, and to take such action, and to direct the company to take such action, as is necessary and advisable to compensate the CEO in a manner consistent with its determinations. The Committee will review at least annually the Chief Executive Officer's performance, including in light of goals and objectives established for such performance, and in light of such review determine his or her compensation.
4. The Company has authority to determine the amount and form of compensation paid to the Company's executive officers, officers, employees, consultants and advisors and to review the performance of such persons in order to determine appropriate compensation, as well as to establish the Company's general compensation policies and practices and to administer plans and arrangements established pursuant to such policies and practices. The Committee has authority to

take such action, and to direct the Company to take such action, as is necessary and advisable to compensate such persons and to implement such policies and practices in a manner consistent with its determinations. It is expected that the Committee will delegate its authority on these matters with regard to non-officer employees and consultants of the Company to officers and other appropriate Company supervisory personnel.

5. The Committee has authority to administer the Company's equity compensation plans, including without limitation, to approve the adoption of such plans, to reserve shares of Common Stock for issuance thereunder, to amend and interpret such plans and the awards and agreements issued pursuant thereto, and to make awards to eligible persons under the plans and determine the terms of such awards.
6. The Committee has authority to select, engage, compensate and terminate compensation consultants, legal counsel and such other advisors as it deems necessary and advisable to assist the Committee in carrying out its responsibilities and functions as set forth herein. Compensation paid to such parties and related expenses will be borne by the Company and the Company will make appropriate funding available to the Committee for such purposes.
7. Except with respect to the responsibilities set forth in paragraph 5 above, the Committee may delegate its authority granted under this charter to a subcommittee of the Committee (consisting either of a subset of members of the Committee or, after giving due consideration to whether the eligibility criteria described above with respect to Committee members and whether such other Board members satisfy such criteria, any members of the Board). In addition, to the extent permitted by applicable law, the Committee may delegate to one or more officers of the Company the authority to grant stock options and other stock awards to employees (who are not executive officers or members of the Board) of the Company or of any subsidiary of the Company.
8. The Committee will prepare an annual report to the Company's stockholders on executive compensation that will be included in the Company's proxy statement for its annual stockholders' meeting in accordance with the rules and regulations of the Securities and Exchange Commission.
9. The Committee will make regular reports to the Board.

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10. The Committee will periodically review this charter and make recommendations to the Board with regard to appropriate changes to the charter.
11. The Committee will periodically review its own performance and report on its conclusions in this regard to the Board.
12. The Committee has the authority to perform such other activities and functions as are required by law, applicable Nasdaq (or stock exchange) rules or provisions in the Company's charter documents, or as are otherwise necessary and advisable, in its or the Board's discretion, to the efficient discharge of its duties hereunder.

#### Reports

The Committee will record its actions and determinations in written form. These records will be incorporated as a part of the minutes and actions of the Board.

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Exhibit A

1. Independent Director

The Compensation Committee must be composed solely of “independent” directors, as defined in NASD Rule 4200(a)(15). If the Compensation Committee is composed of at least three members, one non-independent director who is not a current officer or employee or family member of such person may serve on the Compensation Committee for up to two years.

The following would not be independent under NASD Rule 4200(a)(15):

- (a) An officer or employee of the company;
- (b) A director who has been employed by the company or any parent or subsidiary of the company within the past three years;
- (c) A director who received, or who had a family member who received, payments from the company of more than \$60,000 during the current fiscal year or any of the past three years, other than compensation to the director for Board service or compensation to a family member who is an employee but not an executive officer of the company, its parent, or any subsidiary;
- (d) A director who is the immediate family member of any person who was an executive officer of the company or any parent or subsidiary of the company within the past three years;
- (e) A director who is a partner, executive officer, or controlling shareholder of any organization to which the company made, or from which the company received, payments that exceed 5% of the recipient’s gross revenues for that year, or \$200,000, whichever is more, during the current or any of the past three years, other than payments arising solely from investment;
- (f) A director who is an executive officer of another company where any of the company’s executive officers has served on the compensation committee of the other company within the past three years;
- (g) A director who was a partner or employee of the company’s outside auditor and worked on the company’s audit during the past three years; or
- (h) Any person who has a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgement.

2. Non-Employee Director

Rule 16b-3(b)(3)(i) of the Securities Exchange Act of 1934 defines a Non-Employee Director as a director who:

- (a) Is not currently an officer (as defined in Rule 16a-1(f) of the issuer or a parent or subsidiary of the issuer, or otherwise employed by the issuer or a parent or subsidiary of the issuer;
- (b) Does not receive compensation, either directly or indirectly, from the issuer or a parent or subsidiary of the issuer, for services rendered as a consultant or in any capacity other than a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Rule 404(a) of this chapter;
- (c) Does not possess any interest in any other transaction for which disclosure would be required pursuant to Rule 404(a) of this chapter; and
- (d) Is not engaged in a business relationship for which disclosure would be required pursuant to Rule 404(b) of this chapter.

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3. Outside Director

Regulation 1.162-27(e)(3) promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended, defines an Outside Director as a director who:

- (a) Is not a current employee of the publicly held corporation;
- (b) Is not a former employee of the publicly held corporation who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year;
- (c) Has not been an officer of the publicly held corporation; and
- (d) Does not receive remuneration from the publicly held corporation, either directly or indirectly, in any capacity other than as a director. For this purpose, remuneration includes any payment in exchange for goods or services.

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APPENDIX B

Cyclacel Pharmaceuticals, INC.

DATED JANUARY 19, 2006

2006 EQUITY INCENTIVE PLAN

Effective March 16, 2006

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