

CRITICAL THERAPEUTICS INC

Form DEF 14A

March 29, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

(Rule 14a-101)

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CRITICAL THERAPEUTICS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (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:

**CRITICAL THERAPEUTICS, INC.
60 WESTVIEW STREET
LEXINGTON, MASSACHUSETTS 02421**

March 30, 2006

Dear Fellow Stockholders:

I am pleased to invite you to join us for the Critical Therapeutics, Inc. 2006 Annual Meeting of Stockholders to be held on April 25, 2006 at 10:00 a.m., local time, at The Westin Waltham, 70 Third Avenue, Waltham, MA 02451. Details about the meeting, nominees for the Board of Directors and other matters to be acted on are presented in the Notice of 2006 Annual Meeting of Stockholders and Proxy Statement that follow.

In addition to Annual Meeting formalities, we will report to stockholders generally on Critical Therapeutics business, and will be pleased to answer stockholders' questions relating to Critical Therapeutics.

We hope you plan to attend the Annual Meeting. Please exercise your right to vote by signing, dating and returning the enclosed proxy card as described in the Proxy Statement, even if you plan to attend the meeting. You may also vote by proxy over the Internet or by telephone.

On behalf of Critical Therapeutics' Board of Directors and management, it is my pleasure to express our appreciation for your continued support.

Yours sincerely,

Paul D. Rubin, M.D.

President and Chief Executive Officer

YOUR VOTE IS IMPORTANT

PLEASE TAKE TIME TO VOTE AS SOON AS POSSIBLE. BY DOING SO, YOU MAY SAVE CRITICAL THERAPEUTICS THE EXPENSE OF ADDITIONAL SOLICITATION.

**CRITICAL THERAPEUTICS, INC.
60 WESTVIEW STREET
LEXINGTON, MASSACHUSETTS 02421**

**NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS
To Be Held On April 25, 2006**

To our stockholders:

NOTICE IS HEREBY GIVEN that the 2006 Annual Meeting of Stockholders of Critical Therapeutics, Inc. will be held on April 25, 2006 at 10:00 a.m., local time, at The Westin Waltham, 70 Third Avenue, Waltham, MA 02451. At the annual meeting, stockholders will consider and vote on the following matters:

1. The election of three (3) members to our board of directors to serve as Class II directors, each for a term of three years.
2. The adoption of the Critical Therapeutics, Inc. 2006 Employee Stock Purchase Plan (the 2006 Purchase Plan), under which 400,000 shares of common stock will be authorized for issuance.
3. The ratification of our board of directors selection of Deloitte & Touche LLP as our registered public accounting firm for the fiscal year ending December 31, 2006.
4. Such other business as may properly come before the annual meeting or any adjournment thereof.

Stockholders of record at the close of business on March 24, 2006 are entitled to notice of, and to vote at, the annual meeting or any adjournment thereof. Your vote is important regardless of the number of shares you own. Our stock transfer books will remain open for the purchase and sale of our common stock.

We hope that all stockholders will be able to attend the annual meeting in person. However, in order to ensure that a quorum is present at the meeting, please complete, date, sign and promptly return the enclosed proxy card whether or not you expect to attend the annual meeting. A postage-prepaid envelope, addressed to Mellon Investor Services LLC, our transfer agent and registrar, has been enclosed for your convenience. You may also vote by proxy over the Internet or by telephone. If you attend the meeting, your proxy will, upon your written request, be returned to you and you may vote your shares in person.

All stockholders are cordially invited to attend the meeting.

By order of the Board of Directors,

Scott B. Townsend, Esq.
Secretary

Lexington, Massachusetts
March 30, 2006

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, YOUR VOTE IS IMPORTANT. IN ORDER TO ASSURE THE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING, PLEASE VOTE AS SOON AS POSSIBLE OVER THE INTERNET, BY TELEPHONE OR BY MAIL.

**CRITICAL THERAPEUTICS, INC.
60 WESTVIEW STREET
LEXINGTON, MASSACHUSETTS 02421**

PROXY STATEMENT

**For the 2006 Annual Meeting of Stockholders
To Be Held On April 25, 2006**

This proxy statement and the enclosed proxy card are being furnished in connection with the solicitation of proxies by the board of directors of Critical Therapeutics, Inc. for use at the 2006 Annual Meeting of Stockholders to be held on April 25, 2006 at 10:00 a.m., local time, at The Westin Waltham, 70 Third Avenue, Waltham, MA 02451, and of any adjournment thereof.

All proxies will be voted in accordance with your instructions. If no choice is specified, the proxies will be voted in favor of the matters set forth in the accompanying Notice of Meeting. Any proxy may be revoked by a stockholder at any time before it is exercised by delivery of written revocation to our Secretary or by appearing at the meeting and voting in person.

Our Annual Report to Stockholders for the fiscal year ended December 31, 2005 is being mailed to stockholders with the mailing of these proxy materials on or about March 30, 2006.

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 as filed with the Securities and Exchange Commission, or SEC, except for exhibits, will be furnished without charge to any stockholder upon written or oral request to Critical Therapeutics, Inc., Attention of Linda S. Lennox, Senior Director, Investor & Media Relations, Critical Therapeutics, Inc., 60 Westview Street, Lexington, Massachusetts 02421; telephone: (781) 402-5700. This proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 are also available on the SEC's website at www.sec.gov.

Voting Securities and Votes Required

Stockholders of record at the close of business on March 24, 2006 will be entitled to notice of and to vote at the annual meeting. On that date, 34,216,181 shares of our common stock were issued and outstanding. Each share of common stock entitles the holder to one vote with respect to all matters submitted to stockholders at the meeting. We have no other securities entitled to vote at the meeting.

The representation in person or by proxy of at least a majority of the shares of common stock issued, outstanding and entitled to vote at the annual meeting is necessary to establish a quorum for the transaction of business. If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

Directors are elected by a plurality of votes cast by stockholders entitled to vote at the meeting. To be approved, any other matter submitted to our stockholders, including the adoption of the 2006 Employee Stock Purchase Plan and the ratification of Deloitte & Touche LLP as our registered public accounting firm, requires the affirmative vote of the majority of shares present in person or represented by proxy and voting on such matter at the annual meeting. The votes will be counted, tabulated and certified by a representative of Mellon Investor Services LLC, who will serve as the inspector of elections at the annual meeting.

Shares which abstain from voting as to a particular matter, and shares held in street name by banks, brokers or other nominees who indicate on their proxy cards that they do not have discretionary authority to vote such shares as to a particular matter, which we refer to as broker non-votes, will be counted for the purpose of determining whether a quorum exists but will not have any effect upon the outcome of voting with respect to any matters voted on at the annual meeting.

Stockholders may vote in person or by proxy. Voting by proxy will not in any way affect a stockholder's right to attend the meeting and vote in person. Any stockholder voting by proxy has the right to revoke the proxy at any time before the polls close at the annual meeting by giving our Secretary a duly executed proxy card bearing a later date than the proxy being revoked at any time before that proxy is voted, by voting again over the Internet or by telephone or by appearing at the meeting and voting in person. The shares represented by all properly executed proxies received in time for the meeting or voted by proxy over the Internet or by telephone will be voted as specified. If the shares you own are held in your name and you do not specify in the proxy card how your shares are to be voted, they will be voted in favor of the election as directors of those persons named in this proxy statement, in favor of the adoption of the 2006 Employee Stock Purchase Plan and in favor of the ratification of Deloitte & Touche LLP as our registered public accounting firm. If any other items properly come before the meeting, the persons named in the accompanying proxy intend to vote, or otherwise act, in accordance with their best judgment. If the shares you own are held in street name, the bank, broker or other nominee, as the record holder of your shares, is required to vote your shares in accordance with your instructions. In order to vote your shares held in street name, you will need to follow the directions your bank, broker or other nominee provides you.

If your shares are registered directly in your name, you may vote:

Over the Internet. Go to the web site of our tabulator, Mellon Investor Services, at <http://www.proxyvoting.com/crtx> and follow the instructions you will find there. You must specify how you want your shares voted or your Internet vote cannot be completed and you will receive an error message. Your shares will be voted according to your instructions.

By Telephone. Call (866) 540-5760 toll-free from the United States or Canada and follow the instructions. You must specify how you want your shares voted and confirm your vote at the end of the call or your telephone vote cannot be completed. Your shares will be voted according to your instructions.

By Mail. Complete, date and sign the enclosed proxy card and mail it in the enclosed postage-paid envelope to Mellon Investor Services. Your proxy will be voted according to your instructions. If you do not specify how you want your shares voted, they will be voted as recommended by our board of directors.

In Person at the Meeting. If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

If your shares are held in street name for your account by a bank, broker or other nominee, you may vote:

Over the Internet or By Telephone. You will receive instructions from your broker or other nominee if you are permitted to vote over the Internet or by telephone.

By Mail. You will receive instructions from your broker or other nominee explaining how to vote your shares.

In Person at the Meeting. Contact the broker or other nominee that holds your shares to obtain a broker's proxy card and bring it with you to the meeting. **A broker's proxy is not the form of proxy enclosed with this proxy statement. You will not be able to vote shares you hold in street name at the meeting unless you have a proxy from your broker issued in your name giving you the right to vote the shares.**

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement and Annual Report to Stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you upon written or oral

request to Critical Therapeutics, Inc., Attention of Linda S. Lennox, Senior Director, Investor & Media Relations, Critical Therapeutics, Inc., 60 Westview Street, Lexington, Massachusetts 02421; telephone: (781) 402-5700. If you want to receive separate copies of the proxy statement or Annual Report to Stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address and phone number.

STOCK OWNERSHIP INFORMATION

The following table sets forth information regarding beneficial ownership of our common stock as of February 28, 2006 by:

each person, entity or group of affiliated persons or entities known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock,

each of our directors,

our chief executive officer and our four other most highly compensated executive officers who were serving as executive officers on December 31, 2005, who we refer to as our named executive officers, and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the applicable rules of the SEC and includes voting or investment power with respect to shares of our common stock. Shares of common stock issuable under stock options and warrants that are currently exercisable or exercisable within 60 days of February 28, 2006 are deemed to be beneficially owned by the persons holding the options or warrants for purposes of calculating the percentage ownership of that person but are not deemed outstanding for purposes of calculating the percentage ownership of any other person. The information set forth below is not necessarily indicative of beneficial ownership for any other purpose, and the inclusion of any shares deemed beneficially owned in this table does not constitute an admission of beneficial ownership of those shares. Unless otherwise indicated, to our knowledge, all persons named in the table have sole voting and investment power with respect to the shares of common stock beneficially owned by them, except, where applicable, to the extent authority is shared by spouses under community property laws.

Name and Address of Beneficial Owner(1)	Number of Outstanding Shares Beneficially Owned	Shares Underlying Warrants Currently Exercisable(2)	Shares Underlying Options Exercisable Within 60 Days	Total Number of Shares Beneficially Owned	Percentage of Common Stock Beneficially Owned
5% Stockholders					
Funds managed by Healthcare Ventures(3) 44 Nassau Street, Second Floor Princeton, NJ 08542	5,153,323	383,212		5,536,535	16.0%
Funds managed by MPM Asset Management II LLC(4) 200 Clarendon Street, 54 th Floor Boston, MA 02116	4,845,877	191,606		5,037,483	14.7%
Funds managed by Advanced Technology Ventures(5)	3,182,132	447,081		3,629,213	10.5%

Bay Colony Corporate Center 1000 Winter Street, Suite 3700 Waltham, MA 02541				
Prospect Venture Partners III, L.P. 435 Tasso Street, Suite 200 Palo Alto, CA 94301	2,281,022	798,358	3,079,380	8.8%
MedImmune Ventures, Inc. One MedImmune Way Gaithersburg, MD 20878	2,857,142		2,857,142	8.4%
Johnson & Johnson Development Corporation One Johnson & Johnson Plaza New Brunswick, NJ 08933	2,104,704		2,104,704	6.2%

Name and Address of Beneficial Owner(1)	Number of Outstanding Shares Beneficially Owned	Shares Underlying Warrants Currently Exercisable(2)	Shares Underlying Options Exercisable Within 60 Days	Total Number of Shares Beneficially Owned	Percentage of Common Stock Beneficially Owned
Directors and Named Executive Officers					
Paul Rubin, M.D.(6)	51,236		630,561	681,797	2.0%
Christopher Mirabelli, Ph.D.(7)	5,153,323	383,212		5,536,535	16.0%
Nicholas Galakatos, Ph.D.(8)	4,845,877	191,606	4,166	5,041,649	14.7%
Jean George(9)	3,182,132	447,081	4,166	3,633,379	10.5%
James B. Tananbaum, Ph.D.(10)	2,281,022	798,358	5,556	3,084,936	8.8%
H. Shaw Warren, M.D.	227,244		50,040	277,284	*
Christopher Walsh, M.D.	10,666		13,332	23,998	*
Richard W. Dugan			19,444	19,444	*
Robert H. Zeiger			12,500	12,500	*
Walter Newman, Ph.D.(11)	185,332		174,147	359,479	1.1%
Trevor Phillips, Ph.D.(12)	6,533		166,232	172,765	*
Frederick Finnegan	40,406		82,229	122,635	*
Frank E. Thomas	14,000		131,020	145,020	*
All executive officers and directors as a group (14 persons, consisting of 6 officers and 8 non-employee directors)	15,998,771	1,820,257	1,328,329	19,147,357	51.4%

* Represents beneficial ownership of less than one percent of common stock.

- (1) Unless otherwise indicated, the address of each beneficial owner is care of Critical Therapeutics, Inc., 60 Westview Street, Lexington, MA 02421.
- (2) Consists of shares underlying warrants to purchase our common stock at \$6.58 per share issued in connection with our private placement in June 2005. Please see the section of this proxy statement entitled "Certain Relationships and Related Transactions - 2005 Private Placement" for more information.
- (3) Consists of 4,058,432 shares of common stock held by HealthCare Ventures VI, L.P. and 1,094,891 shares of common stock and warrants to purchase 383,212 shares of common stock held by HealthCare Ventures VII, L.P. Christopher Mirabelli, a member of our board of directors, is a General Partner of HealthCare Partners VI, L.P., the general partner of HealthCare Ventures VI, L.P., and a General Partner of HealthCare Partners VII, L.P., the general partner of HealthCare Ventures VII, L.P. Dr. Mirabelli disclaims beneficial ownership of the shares held by the funds managed by HealthCare Ventures, except to the extent of his pecuniary interest therein.
- (4) Consists of 360,533 shares of common stock and warrants to purchase 14,256 shares of common stock held by MPM BioVentures II, L.P.; 3,267,091 shares of common stock and warrants to purchase 129,181 shares of common stock held by MPM BioVentures II-QP, L.P.; 1,150,412 shares of common stock and warrants to purchase 45,487 shares of common stock held by MPM BioVentures GmbH & Co. Parallel Beteiligungs KG;

and 67,841 shares of common stock and warrants to purchase 2,682 shares of common stock held by MPM Asset Management Investors 2001 LLC. MPM BioVentures II, L.P., MPM BioVentures II-QP, L.P., MPM BioVentures GmbH & Co. Parallel Beteiligungs KG and MPM Asset Management Investors 2001 LLC are affiliates of MPM Asset Management II LLC. Nicholas Galakatos, a member of our board of directors, is an investment manager of each of the funds managed by MPM Asset Management II LLC. Dr. Galakatos disclaims beneficial ownership of the shares held by the funds managed by MPM Asset Management II LLC, except to the extent of his pecuniary interest therein.

- (5) Consists of 2,554,802 shares of common stock and warrants to purchase 359,696 shares of common stock held by Advanced Technology Ventures VII, L.P.; 102,522 shares of common stock and warrants to purchase 14,434 shares of common stock held by Advanced Technology Ventures VII (B), L.P.; 49,279 shares of common stock and warrants to purchase 6,938 shares of common stock held by Advanced Technology Ventures VII (C), L.P.; 15,225 shares of common stock and warrants to purchase 2,144 shares of common stock held by ATV Entrepreneurs VII, L.P.; 5,714 shares of common stock held by ATV Alliance 2003, L.P.; 27,275 shares of common stock and warrants to purchase 60,037 shares of common stock held by Advanced Technology Ventures VI, L.P.; and

427,315 shares of common stock and warrants to purchase 3,832 shares of common stock held by ATV Entrepreneurs VI, L.P. Jean George, a member of our board of directors, is a Managing Director of the general partner of certain of the funds managed by Advanced Technology Ventures. Ms. George disclaims beneficial ownership of the shares held by the funds managed by Advanced Technology Ventures, except to the extent of her pecuniary interest therein.

- (6) Includes 9,866 shares of common stock held by Dr. Rubin's daughter. Dr. Rubin disclaims beneficial ownership of the foregoing shares except to the extent of his pecuniary interest therein.
- (7) Consists of 5,153,323 shares of common stock and warrants to purchase 383,212 shares of common stock held by funds managed by HealthCare Ventures. Dr. Mirabelli, a member of our board of directors, is a General Partner of HealthCare Partners VI, L.P., the general partner of HealthCare Ventures VI, L.P., and a General Partner of HealthCare Partners VII, L.P., the general partner of HealthCare Ventures VII, L.P. Dr. Mirabelli disclaims beneficial ownership of the shares held by the funds managed by HealthCare Ventures, except to the extent of his pecuniary interest therein.
- (8) Consists of 4,845,877 shares of common stock and warrants to purchase 191,606 shares of common stock held by funds managed by MPM Asset Management LLC. Dr. Galakatos, a member of our board of directors, is a General Partner of MPM Capital, LP, which is affiliated with each of the funds managed by MPM Asset Management, LLC. Dr. Galakatos disclaims beneficial ownership of the shares held by the funds managed by MPM Asset Management LLC, except to the extent of his pecuniary interest therein.
- (9) Consists of 3,182,132 shares of common stock and warrants to purchase 447,081 shares of common stock held by funds managed by Advanced Technology Ventures. Ms. George, a member of our board of directors, is a Managing Director of the general partner of certain of the funds managed by Advanced Technology Ventures. Ms. George disclaims beneficial ownership of the shares held by the funds managed by Advanced Technology Ventures, except to the extent of her pecuniary interest therein.
- (10) Consists of 2,281,082 shares of common stock and warrants to purchase 798,358 shares of common stock held by Prospect Venture Partners III, L.P. Dr. Tananbaum is a Managing Member of Prospect Management Co. III, L.L.C., the general partner of Prospect Venture Partners III, L.P.
- (11) Includes 172,000 shares held by Seahorse Investments LLC, of which Dr. Newman is a Managing Member.
- (12) Includes 3,200 shares of common stock held by Dr. Phillip's children. Dr. Phillips disclaims beneficial ownership of the foregoing shares except to the extent of his pecuniary interest therein.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and the holders of more than 10% of our common stock to file with the SEC initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely upon a review of the copies of such forms furnished to us for the year ended December 31, 2005, and the information provided to us by those persons required to file such reports, no such person failed to file the forms required by Section 16(a) of the Exchange Act on a timely basis, except as follows:

On April 26, 2005, Frank E. Thomas, our Chief Financial Officer, Senior Vice President of Finance and Treasurer, filed an amendment to a Form 4 originally filed on September 10, 2004 to reflect an option exercise and an option grant inadvertently omitted from such Form 4.

On June 22, 2005, Jean George, a member of our board of directors, filed a late Form 4 relating to, among other transactions, the grant of a non-statutory stock option on June 2, 2005.

On July 26, 2005, certain entities managed by MPM Asset Management LLC filed amendments to a Form 3 and a Form 4 originally timely filed on May 25, 2004 and June 2, 2004, solely to correct

the misfiling of such forms under the wrong EDGAR codes for certain of the entities included in such filings.

On August 25, 2005, Paul D. Rubin, our President and Chief Executive Officer, filed an amendment to a Form 4 originally timely filed on August 23, 2005, to correct a typographical error relating to the identification of certain transactions reported therein as acquisitions or dispositions.

On September 26, 2005, Frederick Finnegan, our Senior Vice President of Sales and Marketing, filed a late Form 4 relating to option exercises on September 19, 2005.

On October 21, 2005, H. Shaw Warren, a member of our board of directors, filed a late Form 4 reporting an acquisition of shares of our common stock on June 2, 2004.

On November 7, 2005, certain entities affiliated with Advanced Technology Ventures filed a late Form 3 reporting an acquisition of shares of our common stock on June 20, 2005. The acquisition was originally reported on June 22, 2005 on a Form 4.

On November 16, 2005, Dr. Rubin filed amendments to two Form 4s originally timely filed on October 17, 2005 and October 31, 2005 in order to show the individual transactions made by Dr. Rubin on such dates, which were inadvertently reported on an aggregated basis in the original filings.

PROPOSAL ONE ELECTION OF DIRECTORS

Our board of directors is divided into three classes, with one class being elected each year and members of each class holding office for a three-year term. The number of members of our board of directors is determined from time to time by the board of directors. Our board of directors currently consists of nine members, three of whom are Class I directors (with terms expiring at the 2008 annual meeting), three of whom are Class II directors (with terms expiring at the 2006 annual meeting) and three of whom are Class III directors (with terms expiring at the 2007 annual meeting).

At the 2006 annual meeting, stockholders will have an opportunity to vote for the nominees for Class II directors, Richard W. Dugan, Christopher Mirabelli, Ph.D. and James B. Tananbaum, M.D. Mr. Dugan is currently serving as a Class II director and has been a director since April 2004. Dr. Mirabelli is currently serving as a Class II director and has been a director since July 2001. Dr. Tananbaum is currently serving as a Class II director and has been a director since June 2005. The persons named in the enclosed proxy card will vote to elect these three nominees as Class II directors, unless you withhold authority to vote for the election of any or all nominees by marking the proxy card to that effect. Each of the nominees has indicated his or her willingness to serve, if elected. However, if any or all of the nominees should be unable or unwilling to serve, the proxies may be voted for a substitute nominee designated by our board of directors, or our board of directors may reduce the number of directors.

James B. Tananbaum, M.D. has been nominated for election as a director for the first time. In June 2005, in connection with an investment by Prospect Venture Partners III, L.P. in our private placement of common stock and warrants to purchase common stock to institutional and other accredited investors, our board of directors increased the size of the board to nine members and appointed Dr. Tananbaum as a Class II director. Dr. Tananbaum is a Managing Member of Prospect Management Co. III, L.L.C., the general partner of Prospect Venture Partners III, L.P. Please see the section of this proxy statement entitled "Certain Relationships and Related Transactions - 2005 Private Placement" for more information.

Board Recommendation

The board of directors recommends a vote FOR the election of each of these Class II director nominees.

The following paragraphs provide information as of the date of this proxy statement about each member of our board of directors, including the nominees for Class II directors. The information presented includes information about each director, including his or her age, all positions and offices he or she holds with us, his or her length of service as a director, his or her principal occupation and employment for the past five years, and the names of other publicly-held companies of which he or she serves as a director. Information about the number of shares of common stock beneficially owned by each director, our named executive officers and all directors and executive officers as a group, as of February 28, 2006, appears above under the heading Stock Ownership Information.

No director or executive officer is related by blood, marriage or adoption to any other director or executive officer. No arrangements or understandings exist between any director or person nominated for election as a director and any other person pursuant to which such person is to be selected as a director or nominee for election as a director.

Class II Director Nominees (Terms to Expire at the 2006 Annual Meeting)

Richard W. Dugan, age 64, became a director in 2004.

Richard W. Dugan has served as a member of our board of directors since April 2004. From 1976 to September 2002, Mr. Dugan was a partner with Ernst & Young, LLP, where he served in a variety of managing and senior partner positions, including Mid-Atlantic Area Senior Partner from 2001 to 2002, Mid-Atlantic Area Managing Partner from 1989 to 2001 and Pittsburgh Office Managing Partner from 1981 to 1989. Mr. Dugan retired from Ernst & Young LLP in September 2002. Mr. Dugan currently serves on the board of directors of Advancis Pharmaceutical Corporation, a biopharmaceutical company. Mr. Dugan holds a B.S. in Business Administration from Pennsylvania State University.

Christopher Mirabelli, Ph.D., age 51, became a director in 2001.

Christopher Mirabelli, Ph.D. has served as a member of our board of directors since July 2001. From July 2001 to August 2002, Dr. Mirabelli served as our acting non-employee president. From August 2000 to the present, Dr. Mirabelli has served as a General Partner of HealthCare Ventures, a venture capital firm. From December 1999 to July 2000, Dr. Mirabelli served as President of Pharmaceutical Research and Development and a member of the board of directors of Millennium Pharmaceuticals, Inc., a biopharmaceutical company. From July 1993 to December 1999, Dr. Mirabelli served as Chairman of the Board, President and Chief Executive Officer of LeukoSite, Inc., a biotechnology company. In 1988, Dr. Mirabelli was a founder of Isis Pharmaceuticals, Inc., where he served until July 1993 in several positions, including Executive Vice President. Dr. Mirabelli holds a B.S. in Biology from SUNY-Fredonia and a Ph.D. in Molecular Pharmacology from Baylor College of Medicine.

James B. Tananbaum, M.D., age 43, became a director in 2005.

James B. Tananbaum, M.D. has served as a member of our board of directors since June 2005. From September 2000 to the present, Dr. Tananbaum has served as a Managing Director of Prospect Venture Partners, a venture capital firm. Since November 30, 2004, Dr. Tananbaum has also served as a Managing Member of Prospect Management Co. III, L.L.C., which is the general partner of Prospect Venture Partners III, L.P. From January 1997 to July 2000, Dr. Tananbaum served as Chief Executive Officer of Theravance, Inc., a biopharmaceutical company. From December 1993 to January 1997, Dr. Tananbaum served as a venture partner of Sierra Ventures, a venture capital firm. Dr. Tananbaum holds a B.S.E.E. from Yale University and an M.D. and an M.B.A. from Harvard University.

Class III Directors (Terms to Expire at the 2007 Annual Meeting)

Paul D. Rubin, M.D., age 52, became a director in 2002.

Paul D. Rubin, M.D. has served as our President and Chief Executive Officer since August 2002 and as a member of our board of directors since October 2002. From April 1996 to August 2002, Dr. Rubin served as Executive Vice President of Research and Development for Sepracor, Inc., a pharmaceutical company. From July 1993 to March 1996, Dr. Rubin served as Vice President and Worldwide Director Early Clinical Development and Clinical Pharmacology for GlaxoWellcome, Inc., a pharmaceutical company. From June 1987 to June 1993, Dr. Rubin served as Vice President of Immunology and Endocrine Development for Abbott Laboratories, a health care company. Dr. Rubin holds a B.S. in Biology from Occidental College and an M.D. from Rush Medical College.

Nicholas Galakatos, Ph.D., age 48, became a director in 2001.

Nicholas Galakatos, Ph.D. has served as a member of our board of directors since July 2001. From January 2000 to the present, Dr. Galakatos has served as a General Partner of MPM Capital, LP, a venture capital firm. From February 2005 to the present, Dr. Galakatos has served as a Managing Director of Clarus Ventures, a venture capital firm. From 1997 to January 2000, Dr. Galakatos served as Vice President, New Businesses, for Millennium Pharmaceuticals, Inc. From 1993 to 1997, Dr. Galakatos was an associate at Venrock Associates, a venture capital firm. Prior to that time, Dr. Galakatos was Head, Molecular Biology Research for Novartis AG (formerly Ciba), a pharmaceutical company. He holds a B.S. in Chemistry from Reed College and a Ph.D. in Organic Chemistry from the Massachusetts Institute of Technology and performed postdoctoral studies at Harvard Medical School.

Jean George, age 48, became a director in 2003.

Jean George has served as a member of our board of directors since October 2003. From January 2004 to the present, Ms. George has served as a General Partner, and from February 2002 to December 2003, she served as a Partner, with Advanced Technology Ventures, a venture capital firm. From September 1998 to January 2002, Ms. George served as a Director for BancBoston Ventures, a venture capital firm. From 1988 to July 1998, Ms. George served in a variety of roles, including most recently as Vice President of Sales and Marketing, at Genzyme Corporation, a biotechnology company. Ms. George holds a B.S. in Biology from the University of Maine and an M.B.A. from Simmons College Graduate School of Management.

Class I Directors (Terms to Expire at the 2008 Annual Meeting)

Christopher Walsh, Ph.D., age 62, became a director in 2001.

Christopher Walsh, Ph.D. has served as a member of our board of directors since July 2001. From June 1987 to the present, Dr. Walsh has served as the Hamilton Kuhn Professor of Biological Chemistry and Molecular Pharmacology at Harvard Medical School, where he also served as Chair, Biological Chemistry & Molecular Pharmacology. Dr. Walsh holds a B.A. in Biology from Harvard College and a Ph.D. in Life Sciences from Rockefeller University. Dr. Walsh currently serves on the board of directors of Kosan Biosciences, Inc., a biotechnology company.

H. Shaw Warren, M.D., age 54, became a director in 2000.

H. Shaw Warren, M.D., has served as a member of our board of directors since July 2000. From July 2000 to July 2001, Dr. Warren served as chairman of our board of directors. From 1987 to the present, Dr. Warren has served as a pediatrician at Massachusetts General Hospital, and from 2000 to the present, Dr. Warren has served as a physician at the Massachusetts General Hospital. From 1993 to the present, Dr. Warren has served as Associate Professor of Pediatrics at Harvard Medical School. Dr. Warren holds a B.S. in Biology from Harvard College and an M.D. from Harvard Medical School.

Robert H. Zeiger, age 62, became a director in 2004.

Robert H. Zeiger has served as a member of our board of directors since October 2004 and as our lead independent director since February 2005. From October 2000 to the present, Mr. Zeiger has served as a marketing consultant for a number of privately-held pharmaceutical companies. From May 1995 to October 2000, Mr. Zeiger served in a variety of positions for Viragen, Inc., a biopharmaceutical company. Mr. Zeiger served as Chief Executive Officer and Chief Operating Officer of Viragen from May 1995 to September 1998 and Vice Chairman of the Board of Directors from October 1998 to October 2000. From 1985 to 1994, Mr. Zeiger served in a variety of positions for Glaxo, Inc., a pharmaceutical company, including Vice President and General Manager of Glaxo Dermatology, Allen & Hanbury and Glaxo Pharmaceuticals. From 1979 to 1985, Mr. Zeiger served as Vice President of Marketing and Sales of Stiefel Laboratories, an international dermatology company. From 1971 to 1979, Mr. Zeiger served as National Sales Manager for Knoll Pharmaceutical, a pharmaceutical company. Mr. Zeiger holds a B.S. in marketing from Loyola University.

CORPORATE GOVERNANCE

General

We believe that good corporate governance is important to ensure that Critical Therapeutics, Inc. is managed for the long-term benefit of our stockholders. This section describes key corporate governance practices that we have adopted.

Board Determination of Independence

Under applicable Nasdaq rules, a director will only qualify as an independent director if, in the opinion of our board of directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that none of Drs. Galakatos, Mirabelli, Tananbaum and Walsh, Ms. George and Messrs. Dugan and Zeiger has a relationship which would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director, and therefore, that each of these directors is an independent director as defined under Nasdaq Rule 4200(a)(15).

Board of Directors Meetings and Attendance

The board of directors has responsibility for establishing broad corporate policies and reviewing our overall performance rather than day-to-day operations. The primary responsibility of our board of directors is to oversee the management of our company and, in doing so, serve the best interests of the company and our stockholders. The board of directors selects, evaluates and provides for the succession of executive officers and, subject to stockholder election, directors. It reviews and approves corporate objectives and strategies, and evaluates significant policies and proposed major commitments of corporate resources. Our board of directors also participates in decisions that have a potential major economic impact on our company. Management keeps the directors informed of company activity through regular communication, including written reports and presentations at board of directors and committee meetings.

Our board of directors met fifteen times during the fiscal year ended December 31, 2005, either in person or by teleconference. During 2005, each of our directors, other than Dr. Walsh, attended at least 75% of the aggregate of the total number of board meetings held during the period each has been a director and the total number of meetings held by all committees on which each director then served. During 2005, Dr. Walsh attended seven of our 15 board meetings and each of the 13 meetings of the audit committee.

We have no formal policy regarding director attendance at the annual meeting of stockholders, although all directors are expected to attend the annual meeting of stockholders if they are able to do so. Seven of our eight directors attended our 2005 annual meeting of stockholders.

Lead Independent Director

On February 16, 2005, a majority of the independent directors of our board of directors appointed a lead independent director who consults with our Chief Executive Officer and the Nominating and Corporate Governance Committee on matters relating to corporate governance and the performance of our board of directors. The lead independent director provides assistance to the Chief Executive Officer and Corporate Secretary in planning board agendas, acts as the leader of the independent directors and acts as the chair of the independent directors in meetings of the independent directors. Mr. Zeiger is currently serving as our lead independent director.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. The members of each committee are appointed by our board of directors, upon recommendation of the nominating and corporate governance committee, and serve one-year terms. Each of these committees operates under a charter that has been approved by the board of directors. We have posted current copies of each committee's charter on the Corporate Governance section of our website, which can be found at www.crtx.com.

The board of directors has determined that all of the members of each of the board's three standing committees are independent as defined under Nasdaq rules, and, in the case of all members of the Audit Committee, that they meet the additional independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Audit Committee

The Audit Committee's responsibilities include:

appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;

overseeing the work of our registered public accounting firm, including through the receipt and consideration of certain reports from registered public accounting firm;

reviewing and discussing with management and the registered public accounting firm our annual and quarterly financial statements and related disclosures;

monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

establishing policies regarding hiring employees from the registered public accounting firm and procedures for the receipt and retention of accounting-related complaints and concerns;

meeting independently with our registered public accounting firm and management to discuss our financial statements, and other financial reporting and audit matters; and

preparing the audit committee report required by SEC rules (which is included on page 12 of this proxy statement).

The members of the Audit Committee are Mr. Dugan, Ms. George and Dr. Walsh. Mr. Dugan serves as chair of the Audit Committee. The board of directors has determined that Mr. Dugan is an audit committee financial expert as defined in Item 401(h) of Regulation S-K. The Audit Committee met 13 times in 2005.

Compensation Committee

The Compensation Committee's responsibilities include:

reviewing and recommending approval of the compensation of our executive officers;

overseeing the evaluation of our senior executives;

reviewing and making recommendations to the board of directors regarding incentive compensation and equity-based plans;

administering our stock incentive plans; and

reviewing and making recommendations to the board of directors regarding director compensation.

The members of the Compensation Committee are Dr. Galakatos, Ms. George and Dr. Mirabelli. Dr. Galakatos serves as chair of the Compensation Committee. The Compensation Committee met six times during 2005.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's responsibilities include:

identifying individuals qualified to become board members;

recommending to the board the persons to be nominated for election as directors and to each of the board's committees;

reviewing and making recommendations to the board with respect to management succession planning;

developing and recommending to the board corporate governance principles; and

overseeing an annual evaluation of the board.

The members of the Nominating and Corporate Governance Committee are Dr. Mirabelli, Dr. Galakatos and Ms. George. Dr. Mirabelli serves as chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee met three times in 2005.

Director Candidates

The Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become board members, consistent with criteria approved by the board, and recommending the persons to be nominated for election as directors, except where we are legally required by contract, bylaw or otherwise to provide third parties with the right to nominate directors. The process followed by the Nominating and Corporate Governance Committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Committee and the board, with direct input from our chief executive officer and the lead independent director.

In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, the Nominating and Corporate Governance Committee applies certain criteria, including the candidate's reputation for integrity, honesty and adherence to high ethical standards, business acumen, experience and judgment, understanding of our business and industry, diligence, conflicts of interest or the appearance thereof, other directorships and their impact on the ability of the candidate to devote adequate time to service on our board, the ability to act in the interests of all stockholders and willingness to serve for at least three years on the board. The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a significant breadth of experience, knowledge and abilities that will assist our board in fulfilling its responsibilities.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Critical Therapeutics, Inc., 60 Westview Street, Lexington, Massachusetts 02421. Assuming that appropriate biographical and background material has been provided on a timely basis, the Committee will evaluate stockholder recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. Stockholders also have the right under our by-laws to directly nominate director candidates, without any action or recommendation on the part of the Committee or the board, by following the procedures set forth under the heading **Stockholder Proposals**.

James B. Tananbaum has been nominated for election as a director for the first time. In June 2005, in connection with an investment by Prospect Venture Partners III, L.P. in our private placement of common stock and warrants to purchase common stock to institutional and other accredited investors, our board of directors increased the size of the board to nine members and appointed Dr. Tananbaum as a Class II director. Dr. Tananbaum is a Managing Member of Prospect Management Co. III, L.L.C., the general partner of Prospect Venture Partners III, L.P. Please see the section of this proxy statement entitled **Certain Relationships and Related Transactions 2005 Private Placement** for more information.

Communicating with the Independent Directors

The board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The lead independent director, or otherwise the chairman of the Nominating and Corporate Governance Committee, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestio