

CELL THERAPEUTICS INC
Form 10-K/A
April 23, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

(AMENDMENT NO. 2)

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-12465

CELL THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of incorporation or organization)

91-1533912
(I.R.S. Employer Identification Number)

501 Elliott Avenue West, Suite 400

Seattle, WA 98119
(Address of principal executive offices)

98119
(Zip Code)

Registrant's telephone number, including area code: (206) 282-7100

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Common Stock, no par value	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2007, the aggregate market value of the registrant's common equity held by non-affiliates was \$141,508,000. Shares of common stock held by each executive officer and director and by each person known to the Company who beneficially owns more than 5% of the outstanding Common Stock have been excluded in that such persons may under certain circumstances be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common stock as of March 19, 2008 was 94,607,850.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

Cell Therapeutics, Inc. (the Company) is filing this Amendment No. 2 on Form 10-K/A to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, initially filed with the Securities and Exchange Commission (SEC) on March 26, 2008 (the Original Filing), solely to refile the report of its Independent Registered Public Accounting Firm as of December 31, 2007 and 2006 and for each of the years in the three-year period ended December 31, 2007, which inadvertently reflected an incorrect report date of March 26, 2007 rather than March 26, 2008, the correct date of the original signed report provided to the Company.

In addition, pursuant to the rules of the SEC, Item 15 of Part IV of the Original Filing has been amended to contain certifications as of a current date from our Chief Executive Officer and Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002. The certifications of our Chief Executive Officer and Chief Financial Officer are attached to this Form 10-K/A as Exhibits 31.1 and 31.2, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Cell Therapeutics, Inc.

We have audited the accompanying balance sheets of Cell Therapeutics, Inc. as of December 31, 2007 and 2006, and the related statements of operations, shareholders' deficit and other comprehensive loss, and cash flows for each of the years in the three-year period ended December 31, 2007. Our audits also included the consolidated financial statement schedule listed in the index at Item 15(a)(ii) as of and for the years ended December 31, 2007 and 2006. Cell Therapeutics Inc.'s management is responsible for these financial statements and schedule. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cell Therapeutics, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has substantial monetary liabilities in excess of monetary assets as of December 31, 2007, including approximately nineteen million, eight hundred thousand dollars of convertible subordinated notes and senior subordinated notes which mature in June 2008. The Company's ability to satisfy these obligations upon maturity raises substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are described in Note 1. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cell Therapeutics, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 26, 2008 expressed an unqualified opinion.

/s/ Stonefield Josephson, Inc.

Stonefield Josephson, Inc.

Los Angeles, California

March 26, 2008

PART IV
Item 15. Exhibits, Financial Statement Schedules.**(b) Exhibits**

Exhibit Number	Description
2.1(9)	Agreement and Plan of Merger by and between Cell Therapeutics, Inc. and Novuspharma, S.p.A., dated as of June 16, 2003.
3.1(37)	Registrant's Amended and Restated Articles of Incorporation.
3.2(10)	Registrant's Amended and Restated Bylaws.
4.1(3)	Indenture between the Registrant and State Street Bank and Trust Company of California, N.A., as trustee dated June 13, 2001.
4.2(8)	Indenture between the Registrant and State Street Bank and Trust Company of California, N.A., as trustee dated December 20, 2002.
4.3(11)	Indenture between the Registrant and U.S. Bank National Association as trustee, dated June 23, 2003.
4.4(16)	Indenture between the Registrant and U.S. Bank National Association as trustee, dated November 4, 2005.
4.5(19)	Indenture between Cell Therapeutics, Inc. and U.S. Bank National Association as Trustee, dated April 27, 2006.
4.6(34)	Indenture between Cell Therapeutics, Inc. and U.S. Bank National Association as Trustee, dated December 20, 2006.
4.7(38)	Indenture between Cell Therapeutics, Inc. and U.S. Bank National Association as Trustee, dated March 3, 2008.
4.8(19)	Registration Rights Agreement between Cell Therapeutics, Inc. and the Existing Holders dated April 27, 2006.
4.9(22)	Registration Rights Agreement between Cell Therapeutics, Inc. and Novartis Pharma AG dated September 15, 2006.
4.10(34)	Form of Registration Rights Agreement between Cell Therapeutics and Certain Holders dated December 12, 2007.
4.11(25)	Form of Series A 3% Convertible Preferred Stock Certificate.
4.12(27)	Form of Series B 3% Convertible Preferred Stock Certificate.
4.13(30)	Form of Series C 3% Convertible Preferred Stock Certificate.
4.14(33)	Form of Series D 7% Convertible Preferred Stock Certificate.
4.15(25)	Form of Warrant issued February 12, 2007.
4.16(27)	Form of Warrant issued April 16, 2007.
4.17(30)	Form of Warrant issued July 27, 2007.
4.18(33)	Form of Warrant issued December 3, 2007.
4.19(35)	Form of Warrant issued December 21, 2007.
4.20(38)	Form of Warrant issued March 4, 2008.
10.1(6)	Sublease Agreement between F5 Networks, Inc. and the Registrant, dated March 30, 2001, as amended April 13, 2001.
10.2(26)	Third Amendment to Sublease Agreement between F5 Networks, Inc. and the Registrant, dated December 22, 2005.
10.3(8)	Lease agreement between Elliott Park LLC and the Registrant, dated August 20, 2002.
10.4(13)*	Employment Agreement between the Registrant and James A. Bianco, dated as of January 1, 2005.
10.5(14)*	Form of Strategic Management Team Severance Agreement.
10.6(5)*	Form of Indemnification Agreement.

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- 10.7(7)* 1994 Equity Incentive Plan, as amended.
- 10.8(32)* 2007 Employee Stock Purchase Plan, as amended.
- 10.9(32)* 2007 Equity Incentive Plan.
- 10.10(12)* Cell Therapeutics, Inc. Novuspharma S.p.A. Stock Option Plan
- 10.11(18)* Form of Notice of Grant of Award and Award Agreement for grants of restricted stock under the Registrant's 2007 Equity Incentive Plan, as amended.

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Exhibit Number	Description
10.12(18)*	Form of Notice of Grant of Stock Options and Option Agreement for option grants under the Registrant's 2007 Equity Incentive Plan, as amended.
10.13(1)*	Form of Nonqualified Stock Option Agreement for option grants under the Registrant's Novuspharma S.p.A. Stock Option Plan.
10.14(2)	License Agreement dated as of November 13, 1998, by and between PG-TXL Company, L.P. and the Registrant.
10.15(17)	Amendment No. 1 to the License Agreement, dated as of February 1, 2006, by and between the Registrant and PG-TXL Company, L.P.
10.16(4)	Paclitaxel Purchase Agreement dated as of September 28, 2001, between Natural Pharmaceuticals, Inc. and the Registrant.
10.17(15)	Acquisition Agreement by and among the Registrant, Cell Technologies, Inc. and Cephalon, Inc., dated June 10, 2005.
10.18(19)	Purchase Agreement between Cell Therapeutics, Inc. and CRT Capital Group LLC, dated April 24, 2006.
10.19(19)	Exchange Agreement by and among Cell Therapeutics, Inc. and the Existing Holders, dated April 24, 2006.
10.20(20)	Step-Up Equity Financing Agreement between Cell Therapeutics, Inc. and Société Générale, dated June 21, 2006.
10.21(21)	Amendment No. 1 to the Step-Up Equity Financing Agreement between Cell Therapeutics, Inc. and Société Générale, dated July 31, 2006.
10.22(23)	Amendment No. 2 to the Step-Up Equity Financing Agreement between Cell Therapeutics, Inc. and Société Générale, dated September 30, 2006.
10.23(24)	Amendment No. 3 to the Step-Up Equity Financing Agreement between Cell Therapeutics, Inc. and Société Générale, dated December 15, 2006.
10.24(22)	License and Co-Development Agreement by and among Cell Therapeutics, Inc., Cell Therapeutics Europe S.r.L. and Novartis International Pharmaceutical Ltd. dated September 15, 2006.
10.25(28)	Director Compensation Policy.
10.26(26)	Agreement to Bonus Payment and Contingent Bonus Payment for Officer of the Corporation.
10.27(29)	Acquisition Agreement among Cell Therapeutics, Inc., Cactus Acquisition Corp., Saguaro Acquisition Company LLC, Systems Medicine, Inc. and Tom Hornaday and Lon Smith dated July 24, 2007.
10.28(31)	Asset Purchase Agreement between Cell Therapeutics, Inc. and Biogen Idec Inc. dated August 15, 2007.
10.29(36)	Security Agreement between Cell Therapeutics, Inc. and Biogen Idec Inc. dated December 21, 2007.
10.30(36)	Supply Agreement between Cell Therapeutics, Inc. and Biogen Idec Inc. dated December 21, 2007.
12.1#	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
21.1#	Subsidiaries of the Registrant.
23.1#	Consent of Stonefield Josephson, Inc., Independent Registered Public Accounting Firm
24.1#	Power of Attorney. Contained in the signature page of this Annual Report on Form 10-K and incorporated herein by reference.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Previously filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed on March 26, 2008.

* Indicates management contract or compensatory plan or arrangement.

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Portions of these exhibits have been omitted pursuant to a request for confidential treatment.

- (1) Incorporated by reference to exhibits to the Registrant's Registration Statement on Form 10, filed on April 29, 1996.
- (2) Incorporated by reference to exhibits to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998, filed on March 31, 1999.
- (3) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on June 13, 2001.
- (4) Incorporated by reference to exhibits to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, filed on November 14, 2001.

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- (5) Incorporated by reference to exhibits to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001, filed on March 29, 2002.
- (6) Incorporated by reference to exhibits to the Registrant's amended Annual Report on Form 10-K/A for the year ended December 31, 2001, filed on April 30, 2002.
- (7) Incorporated by reference to exhibits to the Registrant's Registration Statement on Form S-8, filed on July 24, 2002.
- (8) Incorporated by reference to exhibits to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002, filed on March 27, 2003.
- (9) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on June 17, 2003.
- (10) Incorporated by reference to appendix H to the Registrant's Registration Statement on Form S-4 (No. 333-106906).
- (11) Incorporated by reference to exhibits to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, filed on August 6, 2003.
- (12) Incorporated by reference to exhibits to the Registrant's Registration Statement on Form S-8, filed on February 13, 2004.
- (13) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on January 6, 2005.
- (14) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on April 18, 2005.
- (15) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on June 14, 2005.
- (16) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on November 10, 2005.
- (17) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on February 14, 2006.
- (18) Incorporated by reference to exhibits to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004, filed on March 4, 2005.
- (19) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on April 28, 2006.
- (20) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on June 23, 2006.

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- (21) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on August 3, 2006.
- (22) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on September 18, 2006.
- (23) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on October 5, 2006.
- (24) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on December 21, 2006.
- (25) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on February 12, 2007.
- (26) Incorporated by reference to exhibits to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 16, 2007.
- (27) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on April 16, 2007.
- (28) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on April 27, 2007.
- (29) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on July 27, 2007 regarding the acquisition of Systems Medicine.
- (30) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on July 27, 2007 regarding the issuance of Series C 3% Convertible Preferred Stock.
- (31) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on August 21, 2007.
- (32) Incorporated by reference to exhibits to the Registrant's Registration Statement on Form S-8, filed on October 11, 2007.
- (33) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on December 3, 2007.
- (34) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on December 13, 2007.
- (35) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on December 27, 2007.
- (36) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on December 31, 2007.
- (37) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on January 29, 2008.

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(38) Incorporated by reference to exhibits to the Registrant's Current Report on Form 8-K, filed on March 4, 2008.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on April 23, 2008.

Cell Therapeutics, Inc.

By: /s/ James A. Bianco
James A. Bianco, M.D.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Phillip M. Nudelman*	Chairman of the Board and Director	April 23, 2008
Phillip M. Nudelman		
/s/ James A. Bianco	President, Chief Executive Officer and Director (Principal Executive Officer)	April 23, 2008
James A. Bianco		
/s/ Louis A. Bianco	Executive Vice President, Finance and Administration (Principal Financial Officer and Principal Accounting Officer)	April 23, 2008
Louis A. Bianco		
/s/ John H. Bauer*	Director	April 23, 2008
John H. Bauer		
/s/ Vartan Gregorian*	Director	April 23, 2008
Vartan Gregorian, Ph.D.		
/s/ Mary O. Munding*	Director	April 23, 2008
Mary O. Munding		
/s/ Jack W. Singer*	Director	April 23, 2008
Jack W. Singer M.D.		
/s/ Frederick W. Telling*	Director	April 23, 2008
Frederick W. Telling, Ph.D.		
*By: /s/ James A. Bianco	Director	April 23, 2008

James A. Bianco, M.D., as Attorney-in-Fact