

CELL THERAPEUTICS INC
Form 8-K
September 17, 2008

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: (Date of earliest event reported): September 15, 2008

CELL THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

001-12465
(Commission File Number)

91-1533912
(I.R.S. Employer

Identification Number)

501 Elliott Avenue West, Suite 400

Seattle, Washington 98119

(Address of principal executive offices)

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

Not applicable

(Former name or former address, if changed since last report).

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Edgar Filing: CELL THERAPEUTICS INC - Form 8-K

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On September 15, 2008, Cell Therapeutics, Inc. (the Company) entered into a Securities Purchase Agreement between the Company and Enable Growth Partners, LP (the Holder) (the Agreement).

Pursuant to the Agreement, the Company issued to the Holder, for \$9 million cash, \$9 million in aggregate principal amount of the Company's 10% Convertible Senior Notes of the Company due September 15, 2012 (the Notes). The Agreement also gives the Company the right to, subject to certain stock price, trading volume and milestone preconditions, require the Holder to purchase, for another \$9,000,000 cash, \$9 million in aggregate principal amount of the Company's Series B 10% Convertible Senior Notes (the B Notes) and, together with the Notes, the notes) pursuant to an all-or-none issuer put option. This put option will expire no later than October 15, 2008.

In addition, pursuant to the Agreement, the Company made a \$150,000 payment to the Holder and its affiliates to induce them to convert 1,000 shares of the Company's Series C Preferred Stock into Common Stock. Pursuant to the Agreement, the Company also paid to the Holder and its affiliates \$1,225,000 in exchange for the prospective satisfaction of 50% of any final judgment which may ever be rendered on any and all claims for any relief whatsoever that have been alleged, or that could have been alleged, in *Enable Growth Partners, LP, et al. v. Cell Therapeutics, Inc.*, N.Y. Sup. Ct., Index No. 600206-08 (the Enable Claims), against the Company. If the Company exercises its put right as to the second \$9 million investment, additional similar payments of \$150,000 and \$1,225,000 would be made, the remaining 1,000 shares of Series C Preferred Stock owned by the Holder and its affiliates would be converted into Common Stock and the balance of the Enable Claims would be extinguished.

The Notes were issued pursuant to an Indenture dated September 15, 2008 between the Company and U.S. Bank National Association as trustee (the Indenture).

The notes will bear an annual interest rate of 10% and be convertible into Common Stock at a conversion price of \$1.27 per share. Accordingly, the Notes are convertible into 7,086,614 shares of Common Stock, and if the B Notes are issued they too would be convertible into 7,086,614 shares of Common Stock. Upon conversion of the notes, the Company shall be required to pay a make-whole amount to the holders of the notes so converted equal to \$400 per \$1,000 principal amount of the converted notes less any interest paid on such notes before conversion (a Make-Whole Payment). The Company has placed an amount adequate to pay the Make-Whole Payments on all outstanding Notes in escrow to be held for a period of one year. At the end of one year, all funds remaining in escrow will be released to the Company.

The Notes will automatically convert if, at any time after September 15, 2009 and prior to maturity, the closing price of the Common Stock has exceeded \$2.54 for at least 20 trading days within any 30 consecutive trading day period, subject to certain conditions (a Triggering Event). The amount of Notes that shall automatically convert on a Triggering Event may be limited, depending upon the volume weighted average price of the Common Stock at that time. Once a Triggering Event has occurred, a new 30 trading day period for which an automatic conversion may be triggered shall commence.

In the case of an event of default the notes can be accelerated.

In the event of certain changes in control, holders of the notes may require us to repurchase their notes at a repurchase price equal to 100% of the aggregate principal amount of such holders' outstanding notes at the time of such repurchase, together with interest accrued to the repurchase date.

If not converted or repurchased prior to maturity, the Notes mature on September 15, 2012 and the B Notes mature upon the fourth anniversary of the issuance of the B Notes.

The notes are the Company's unsecured obligations and are not subordinated to any of its present or future unsecured obligations. The Company has also agreed to certain restrictions on its incurrence of future secured indebtedness.

The description of the terms and conditions of the Indenture and the notes set forth herein does not purport to be complete and is qualified in its entirety by reference to the full text of the Indenture, which is attached hereto as Exhibit 4.1. If the B Notes are issued, they will be issued pursuant to an indenture of like tenor as the Indenture.

The offer and sale of the Notes, the B Notes and the shares of Common Stock underlying them were covered by the Company's Form S-3 shelf registration statement (File No. 333-149982).

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information provided in Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
4.1	Indenture, dated September 15, 2008 between Cell Therapeutics, Inc. and U.S. Bank National Association, as trustee, including Form of Global Note
5.1	Opinion of Heller Ehrman LLP
10.1	Securities Purchase Agreement, dated September 15, 2008 between Cell Therapeutics, Inc. and Enable Growth Partners LP.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CELL THERAPEUTICS, INC.

Date: September 17, 2008

By: /s/ Louis A. Bianco
Louis A. Bianco
Executive Vice President, Finance and Administration

EXHIBIT INDEX

Exhibit No.	Description
4.1	Indenture, dated September 15, 2008 between Cell Therapeutics, Inc. and U.S. Bank National Association, as trustee, including Form of Global Note
5.1	Opinion of Heller Ehrman LLP
10.1	Securities Purchase Agreement, dated September 15, 2008 between Cell Therapeutics, Inc. and Enable Growth Partners LP.