

CELL THERAPEUTICS INC
Form 424B2
October 04, 2012
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The information contained in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. A registration statement relating to the securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 4, 2012

PROSPECTUS SUPPLEMENT

(to Prospectus dated August 29, 2012)

40,000 Shares of Series 17 Preferred Stock

CELL THERAPEUTICS, INC.

We are offering 40,000 shares of Series 17 Preferred Stock (and _____ shares of common stock issuable upon conversion thereof). The Series 17 Preferred Stock will not be listed on any national securities exchange.

Conversion

Each share of Series 17 Preferred Stock can be converted at the holder's option at any time after issuance into the number of shares of common stock determined by dividing the aggregate stated value of the Series 17 Preferred Stock of \$1,000 per share to be converted by the conversion price, which is initially \$ _____. The initial conversion price is subject to adjustment in certain events (including certain fundamental changes), which are explained in more detail under the section entitled "Description of the Securities We are Offering."

On the first to occur of (i) the 30th day after the original issuance date of the Series 17 Preferred Stock and (ii) the date on which 5,000 or less shares of Series 17 Preferred Stock remain outstanding, all outstanding shares of Series 17 Preferred Stock shall automatically convert into the number of shares of common stock determined by dividing the aggregate stated value of the Series 17 Preferred Stock being converted by the conversion price then in effect. We cannot effect a conversion of the Series 17 Preferred Stock, and no holder may request a conversion of its Series 17 Preferred Stock, to the extent such conversion would result in the holder and its affiliates beneficially owning more than 4.99% of our common stock, provided that a holder may elect to increase the maximum conversion threshold to 9.99% of our common stock by providing us with 61 days' prior notice. In addition, in the event of an automatic conversion, the maximum conversion threshold will increase to 19.99% without any further action on the part of a holder.

Ranking and Liquidation Preference

Shares of Series 17 Preferred Stock rank senior to our common stock. In the event of our voluntary or involuntary dissolution, liquidation or winding up, each holder of Series 17 Preferred Stock will be entitled to be paid a liquidation preference equal to the initial stated value of such holder's Series 17 Preferred Stock of \$1,000 per share, plus any declared and unpaid dividends and any other payments that may be due on such shares, before any distribution of assets may be made to holders of capital stock ranking junior to the Series 17 Preferred Stock.

Voting Rights

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The Series 17 Preferred Stock will have no voting rights, except as otherwise expressly provided in our articles of incorporation or as otherwise required by law.

Common Stock Listing

Our common stock is quoted on The NASDAQ Capital Market and on the Mercato Telematico Azionario stock market, or the MTA, in Italy under the symbol CTIC. On October 3, 2012, the last reported sale price of our common stock on The NASDAQ Capital Market was \$2.36 per share.

Investing in our securities involves a high degree of risk. Please read Risk Factors beginning on page S-9 of this prospectus supplement and in the documents incorporated by reference into this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE ⁽¹⁾	TOTAL
Public Offering Price	\$	\$
Underwriting Discounts and Commissions	\$	\$
Proceeds to Cell Therapeutics, Inc., before expenses	\$	\$

⁽¹⁾ Excludes shares of common stock issuable upon conversion of the Series 17 Preferred Stock offered hereby. Delivery of the Series 17 Preferred Stock is expected to be made on or about October , 2012.

Sole Book-Running Manager

Jefferies

Co-Managers

Roth Capital Partners

Prospectus Supplement dated October , 2012.

ThinkEquity LLC

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You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information.

We are not making an offer of the Series 17 Preferred Stock (or the shares of common stock issuable from time to time upon conversion of the Series 17 Preferred Stock) covered by this prospectus supplement in any jurisdiction where the offer is not permitted.

The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of its respective date, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus, or of any sale of the Series 17 Preferred Stock (or shares of common stock issuable upon conversion of the Series 17 Preferred Stock). You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the respective dates thereof.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus relate to the offering of 40,000 shares of our Series 17 Preferred Stock (and shares of our common stock issuable upon conversion thereof). You should read this prospectus supplement, the accompanying prospectuses and the documents incorporated by reference before making an investment decision. You should also read and consider the information in the documents we have referred to in the section of this prospectus supplement entitled "Incorporation of Certain Documents by Reference."

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of the Series 17 Preferred Stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference, on the other hand, you should rely on the information in this prospectus supplement.

We have not, and the underwriters have not, authorized any other person to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it.

We are offering to sell, and seeking offers to buy, the Series 17 Preferred Stock only in jurisdictions where offers and sales are permitted.

The information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate only as of the respective dates of the applicable documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, the terms "CTI," "Company," "we," "us," "our" and similar terms refer to Cell Therapeutics, Inc., a Washington corporation and its subsidiaries, unless the context otherwise requires.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, or the Exchange Act, as amended. In accordance with the Exchange Act, we file reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Such reports, proxy statements and other information filed by us are available to the public free of charge at www.sec.gov. Copies of certain information filed by us with the SEC are also available on our website at www.celltherapeutics.com. With the exception of the reports specifically incorporated by reference in this prospectus supplement as set forth below, material contained on or accessible through our website is specifically not incorporated into this prospectus supplement. You may also read and copy any document we file with the SEC at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330.

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the SEC. This prospectus supplement and the accompanying prospectus omit some information contained in the registration statement in accordance with SEC rules and regulations. You should review the information and exhibits in the registration statement for further information about us and the securities being offered hereby. Statements in this prospectus supplement or the accompanying prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

SEC rules allow us to incorporate by reference into this prospectus supplement and the accompanying prospectus much of the information we file with the SEC, which means that we can disclose important information to you by referring you to those publicly available documents. The information that we incorporate by reference into this prospectus supplement and the accompanying prospectus is considered to be part of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act (in each case, other than those documents or the portions of those documents deemed to be furnished and not filed in accordance with SEC rules) until the offering of the securities under the registration statement is terminated or completed:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC on March 8, 2012;

our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2012 and June 30, 2012 filed with the SEC on April 20, 2012 and August 2, 2012, respectively;

our Current Reports on Form 8-K filed with the SEC on January 3, 2012 (Item 8.01 only), January 12, 2012, January 30, 2012 (Item 8.01 only), February 2, 2012, February 15, 2012 (Item 1.01 and Exhibit 10.1 only), February 17, 2012 (Item 8.01 only), April 24, 2012 (Items 1.01 and 3.02 and Exhibits 10.1, 10.2 and 10.3 only), May 14, 2012 (Item 8.01 only), May 31, 2012 (Items 1.01, 3.03 and 5.03 only), June 5, 2012 (Items 1.01, 2.01, 3.02 and 5.02 only), June 20, 2012, June 22, 2012, June 29, 2012 (Item 3.01 only), July 13, 2012, July 27, 2012, August 1, 2012 (Items 1.01, 3.03 and 5.03 only), August 8, 2012 (Item 8.01 only), August 31, 2012 (Items 3.03 and 5.03 only), September 4, 2012 (Items 1.01, 3.03, 5.02, 5.03 and 5.07 only) and September 7, 2012;

the description of our capital stock contained in our Registration Statement on Form 10 filed with the SEC on June 27, 1996, as amended; and

the description of our Preferred Stock Purchase Rights contained in our Registration Statement on Form 8-A filed with the SEC on December 28, 2009, Amendment No. 1. to Form 8-A filed with the SEC on May 17, 2011 and Registration Statement on Form 8-A filed with the SEC on September 6, 2012 and any other amendment or report filed for the purpose of updating such description.

Because we are incorporating by reference future filings with the SEC, this prospectus supplement and the accompanying prospectus are continually updated and later information filed with the SEC may update and supersede some of the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. This means that you must look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this prospectus supplement and the accompanying prospectus or in any document previously incorporated by reference have been modified or superseded.

We will provide without charge to each person, including any beneficial owners, to whom this prospectus supplement is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus supplement and the accompanying prospectus but not delivered with this prospectus supplement, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You may request a copy of these documents by writing or telephoning us at the following address:

Cell Therapeutics, Inc.

3101 Western Avenue, Suite 600

Seattle, Washington 98121

(206) 282-7100

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference may contain forward-looking statements within the meaning under the U.S. federal securities laws. All statements other than statements of historical fact are forward-looking statements, including, without limitation:

any statements regarding future operations, plans, regulatory filings or approvals;

any projections of cash resources, revenues, operating expenses or other financial terms;

any statements of the plans and objectives of management for future operations or programs;

any statements concerning proposed new products or services;

any statements on plans regarding proposed or potential preclinical development, clinical trials or new drug filing strategies or timelines;

any statements regarding the launch of Pixuvri in any jurisdiction;

any statements regarding the ability of Pixuvri to prove safe and effective for the treatment of relapsed or refractory aggressive B-cell non-Hodgkin's lymphoma, or NHL, and/or other tumors as determined by the U.S. Food and Drug Administration, or the FDA, and/or the European Commission and the European Medicines Agency, or the EMA;

any statements regarding the ability of tosedostat to prove safe and effective for the treatment of patients with relapsed/refractory acute myeloid leukemia or myelodysplastic syndromes as determined by the FDA and/or the EMA;

any statements regarding timing of or plan for the phase III clinical trial of tosedostat;

any statements regarding the ability of pacritinib to prove safe and effective for the treatment of patients with myelofibrosis as determined by the FDA and/or the EMA, satisfy a medical need not currently addressed with existing non-selective JAK1/JAK2 inhibitors, or be differentiated due to its high target selectivity;

any statements regarding the performance, or likely performance, or outcomes or economic benefit of any licensing or other agreement, including any agreement with Novartis International Pharmaceutical Ltd., or Novartis, or its affiliates, or Chroma Therapeutics Ltd., or its affiliates, including whether or not such partner will elect to participate, terminate or otherwise make elections under any such agreement or whether any regulatory authorizations required to enable such agreement will be obtained;

any statements regarding compliance with the listing standards of The NASDAQ Stock Market, or NASDAQ;

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any statements regarding pending or future mergers or acquisitions; and

any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing.

In some cases, forward-looking statements can be identified by terms such as anticipates, believes, continue, could, estimates, expects, i may, plans, potential, predicts, projects, should or will or the negative thereof, variations thereof and similar expressions. Such statements based on management's current expectations and are subject to risks and uncertainties which may cause actual results to differ materially from those set forth in the forward-looking statements. There can be no assurance that such expectations or any of the forward-looking statements will prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors described in the section of this prospectus supplement entitled Risk Factors, and those risks and uncertainties described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. All forward-looking statements and reasons why results may differ included in this prospectus supplement are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results might differ, except to the extent required by law.

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SUMMARY

The following summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. The following summary does not contain all of the information that you should consider before investing in our securities. To understand this offering fully, you should read this entire prospectus supplement and the accompanying prospectus carefully, including the financial statements and the documents incorporated by reference.

Our Company

We develop, acquire and commercialize novel treatments for cancer. Our goal is to build a leading biopharmaceutical company with a diversified portfolio of proprietary oncology drugs. Our research, development, acquisition and in-licensing activities concentrate on identifying and developing new, less toxic and more effective ways to treat cancer. Our operations are primarily conducted in the United States. We are currently focusing our efforts predominantly on Pixuvri (pixantrone), pacritinib, and tosedostat. In addition, the Company has partnered with National Institutes of Health sponsored cooperative groups to advance the development of OPAXIO (paclitaxel poliglumex) and brostallicin.

Corporate Information

We were incorporated in the State of Washington in 1991. Our shares of common stock trade on The NASDAQ Capital Market and the MTA in Italy under the symbol CTIC. Our principal executive offices are located at 3101 Western Avenue, Suite 600, Seattle, Washington 98121, and our phone number is (206) 282-7100. Our website is located at www.celltherapeutics.com; however, the information in, or that can be accessed through, our website is not part of this prospectus supplement or the accompanying prospectus.

Recent Developments

Pixuvri

Commercial Launch in Europe

On February 17, 2012, Pixuvri was granted a positive opinion for conditional approval from the EMA's Committee for Medicinal Products for Human Use, or the CHMP. On May 10, 2012, Pixuvri received conditional marketing authorization in the European Union from the European Commission as monotherapy for the treatment of adult patients with multiply relapsed or refractory aggressive NHL. The decision allows us to market Pixuvri in the 27 Member States of the European Union as well as in Iceland, Liechtenstein and Norway.

In September 2012, we initiated the commercial launch of Pixuvri in the European Union with entry into Sweden, Denmark and Finland. We expect to initiate the commercial launch of Pixuvri in Austria and Norway in early October 2012 and in Germany, United Kingdom and the Netherlands in November 2012. We plan to expand availability of Pixuvri to France, Italy and Spain as well as other European countries in 2013.

Similar to accelerated approval regulations in the United States, conditional marketing authorizations are granted in the European Union to medicinal products with a positive benefit/risk assessment that address unmet medical needs and whose availability would result in a significant public health benefit. A conditional marketing authorization is renewable annually. Under the provisions of the conditional marketing authorization for Pixuvri, we will be required to complete a post-marketing study aimed at confirming the clinical benefit previously observed.

The CHMP has accepted PIX306, our ongoing randomized controlled phase III clinical trial, which compares Pixuvri-rituximab to gemcitabine-rituximab in patients who have relapsed after one to three prior regimens for

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aggressive B-cell NHL and who are not eligible for autologous stem cell transplant. As a condition of approval, we have agreed to have the PIX306 clinical trial results available by June 2015.

Regulatory Approval in the United States

In December 2010, we filed a Formal Dispute Resolution Request, or FDRR, with the FDA's Office of New Drugs, or the OND, in response to a Complete Response Letter, or CRL, we received in April 2010 from the FDA's Office of Oncology Drug Products. The CRL stated that our pivotal trial PIX301 failed to meet its primary endpoint and that we needed to conduct additional studies before Pixuvri could be considered for approval. In April 2010, we received a response from the OND on our FDRR, which indicated that accelerated approval of our New Drug Application, or NDA, is not necessarily out of reach based on a single controlled clinical trial, provided that two key issues can be resolved satisfactorily. First, the circumstances of stopping the PIX301 trial early must be resolved to assure that ongoing results assessments were not dictating the decision to stop. Second, ascertainment of the primary endpoint in the PIX301 trial must be determined to have been sound and not subject to bias.

We resubmitted our NDA in October 2011 with information that we believe addressed both of the OND's recommendations. The FDA scheduled the NDA for review by the Oncologic Drugs Advisory Committee, or ODAC, at its February 2012 meeting. On January 30, 2012, following discussions with the FDA, we voluntarily withdrew our resubmitted NDA for Pixuvri because we needed additional time to prepare for the review of the NDA by ODAC. Prior to withdrawing the NDA, we requested that the FDA consider rescheduling the ODAC's review of the NDA to an ODAC meeting to be held in late March 2012. The FDA was unable to accommodate our request to reschedule, and given the April 24, 2012 Prescription Drug User Fee Act (PDUFA) date for Pixuvri, the only way to have Pixuvri possibly considered at a later ODAC meeting was to withdraw and later resubmit the NDA.

Prior to resubmitting our NDA in October 2011, we discussed with the FDA whether our ongoing PIX306 trial, which compares Pixuvri in combination with rituximab to gemcitabine rituximab combination in patients with relapsed/refractory diffuse large B-cell lymphoma, could serve as either a post marketing confirmatory study, if Pixuvri were to be approved on the basis of the PIX301 results, or as a registration study for approval in the United States. Enrollment in PIX306 is underway at more than 100 sites in the United States and we expect approximately 20 sites in the European Union will join PIX306 during the second half of 2012 and in 2013. We are planning to meet with regulatory authorities in early 2013 to discuss our resubmission strategy, which we would like to include data generated from our ongoing PIX-R® trial, or PIX306, phase III study. We cannot assure you as to the timing of the resubmission of the NDA.

Pacritinib

We expect the first phase III clinical trial for pacritinib to initiate in the fourth quarter of 2012 and the second phase III clinical trial to initiate in the second quarter of 2013. Pacritinib is an oral, once a day, tyrosine kinase inhibitor, or TKI, with dual activity against Janus kinase 2 (commonly referred to as JAK2) and FMS-like tyrosine kinase 3, or FLT3. Mutations in these kinases have been shown to be directly related to the development of a variety of blood related cancers including myeloproliferative neoplasms, leukemia, and lymphoma. In May 2012, we acquired certain intellectual property and other assets related to pacritinib from S*Bio Pte Ltd.

OPAXIO

In September 2012, OPAXIO (paclitaxel poliglumex) was granted orphan-drug designation by the FDA for the treatment of glioblastoma multiforme, a malignant brain cancer.

Unaudited Interim Cash Positions

As of August 31, 2012, we had no debt outstanding and approximately \$19.3 million in cash and cash equivalents. We will report our unaudited cash and cash equivalents as of September 30, 2012 after we have completed our regular quarterly review procedures for the quarter then ending.

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The Offering

The following is a brief summary of some of the terms of this offering and is qualified in its entirety by reference to the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus.

Securities we are offering

Series 17 Preferred Stock 40,000 shares of Series 17 Preferred Stock and the approximately _____ shares of common stock issuable from time to time upon conversion of the Series 17 Preferred Stock.

Purchase price The purchase price for each share of Series 17 Preferred Stock is \$ _____.
Description of the Series 17 Preferred Stock

Rank The Series 17 Preferred Stock will, with respect to rights upon our liquidation, dissolution or winding up, rank senior to our common stock and, so long as at least 20% of the aggregate originally issued shares of Series 17 Preferred Stock are outstanding, we may not repay, repurchase or offer to repay or repurchase or otherwise acquire any material amount of common stock or other securities junior to the Series 17 Preferred Stock except for repurchases of up to 5,750,000 shares of common stock in any 12-month period from employees, officers, directors, consultants or others who perform services for us and who are subject to an agreement with us providing a right of repurchase of such shares at cost or on the occurrence of certain events, such as termination of employment. The Series 17 Preferred Stock ranks *pari passu* with our common stock with respect to dividends.

Dividends Holders of the Series 17 Preferred Stock are entitled to receive dividends equal (on an as if converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock or other junior securities, as and if such dividends are paid. We have never declared or paid any cash dividends on our common stock and do not currently anticipate declaring or paying cash dividends on our common stock in the foreseeable future. See Dividend Policy.

Optional conversion Each share of Series 17 Preferred Stock can be converted at the holder's option at any time after issuance into the number of shares of common stock determined by dividing (i) the stated value of the Series 17 Preferred Stock of \$1,000 per share to be converted, by (ii) the conversion price, which is initially \$ _____. The initial conversion price is subject to adjustment in certain events (including certain fundamental changes), which are explained in more detail under the section entitled Description of the Securities We are Offering.

Automatic conversion On the first to occur of (i) the 30th day after the original issuance date of the Series 17 Preferred Stock, (ii) the date on which

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5,000 or less shares of Series 17 Preferred Stock remain outstanding or (iii) the adoption by our board of directors of a resolution that it intends to adopt an amendment to our amended and restated articles of incorporation, as amended, or our articles of incorporation, without shareholder approval to effect a reverse stock split with respect to our common stock in order to achieve compliance with the listing rules of The NASDAQ Capital Market or for other good faith business reasons, all outstanding shares of Series 17 Preferred Stock shall automatically convert into the number of shares of common stock determined by dividing (i) the aggregate stated value of the Series 17 Preferred Stock being converted, by (ii) the conversion price then in effect, subject only to the limitations on conversion described below.

Limitations on conversion

We cannot effect a conversion of the Series 17 Preferred Stock, and no holder may request a conversion of its Series 17 Preferred Stock, to the extent such conversion would result in the holder and its affiliates beneficially owning more than 4.99% of our common stock, provided that a holder may elect to increase the maximum conversion threshold to 9.99% of our common stock by providing us with 61 days prior notice. In addition, in the event of an automatic conversion, the maximum conversion threshold will increase to 19.99% without any further action on the part of a holder.

Liquidation preference

In the event of our voluntary or involuntary dissolution, liquidation or winding up, each holder of Series 17 Preferred Stock will be entitled to be paid a liquidation preference equal to the initial stated value of such holder's Series 17 Preferred Stock of \$1,000 per share, plus declared and unpaid dividends and any other payments that may be due on such shares, before any distribution of assets may be made to holders of capital stock ranking junior to the Series 17 Preferred Stock.

Voting rights

The Series 17 Preferred Stock will have no voting rights, except as otherwise expressly provided in our articles of incorporation or as otherwise required by law. However, so long as at least 20% of the aggregate originally issued shares of Series 17 Preferred Stock are outstanding, we cannot amend our articles of incorporation, our second amended and restated bylaws, or our bylaws, or other charter documents in each case so as to materially, specifically and adversely affect the rights of the Series 17 Preferred Stock; to repay, repurchase or offer to repay or repurchase or otherwise acquire any of our common stock, common stock equivalents, or other securities junior to the Series 17 Preferred Stock, except in certain limited circumstances; to authorize or create any class of senior preferred stock; or to enter into any agreement or understanding with respect to any of the foregoing, in each case without the affirmative written consent of holders of a majority of the outstanding shares of Series 17 Preferred Stock.

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Use of proceeds after expenses	We plan to use the net proceeds from this offering to support the launch of Pixuvri in Europe and to commence phase III trials of pacritinib as well as for general corporate purposes, which may include, among other things, funding research and development, preclinical and clinical trials, the preparation and filing of new drug applications, the acquisition of complementary businesses, technologies or products and general working capital.
Market for the Series 17 Preferred Stock	There is no established public trading market for the Series 17 Preferred Stock and we do not expect a market to develop. In addition, we do not intend to apply for listing the Series 17 Preferred Stock on any securities exchange.
Market for our common stock	Our common stock is quoted on The NASDAQ Capital Market and on the MTA stock market in Italy under the symbol CTIC. On October 3, 2012, the last reported sale price of our common stock on The NASDAQ Capital Market was \$2.36 per share.
Risk factors	See the Risk Factors section contained in this prospectus supplement and in the documents we incorporate by reference in this prospectus supplement and the accompanying prospectus to read about factors you should consider before investing in our securities.

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RISK FACTORS

*In addition to the risks described below, you should carefully consider the information under the heading **Risk Factors** beginning on page 33 of our **Quarterly Report on Form 10-Q** for the fiscal quarter ended June 30, 2012, filed with the SEC on August 2, 2012, which information is incorporated by reference into this prospectus supplement, and other information included in this prospectus supplement, the accompanying prospectus and reports we file from time to time with the SEC that we incorporate by reference herein for a discussion of factors you should carefully consider before deciding to invest in our securities. If any of the identified risks actually occur, it could materially adversely affect our business, financial condition, operating results or prospects and the trading price of our securities. Additional risks and uncertainties that we do not presently know or that we currently deem immaterial may also impair our business, financial condition, operating results and prospects and the trading price of our securities.*

Risks Related to this Offering

There is no public market for the Series 17 Preferred Stock being offered in this offering.

There is no established public trading market for the Series 17 Preferred Stock being offered in this offering, and we do not expect a market to develop. In addition, we do not intend to apply for listing of the Series 17 Preferred Stock on any securities exchange. Without an active market, the liquidity of the Series 17 Preferred Stock will be limited.

Purchasers who convert their shares of Series 17 Preferred Stock into common stock will incur immediate dilution.

Upon conversion of your shares of Series 17 Preferred Stock, you will experience immediate and substantial dilution because the per share conversion price of your shares of Series 17 Preferred Stock will be higher than the net tangible book value per share of the outstanding common stock immediately after this offering. Assuming that an aggregate of 40,000 shares of the Series 17 Preferred Stock are sold (and are then converted into 16,949,153 shares of our common stock assuming a conversion price of \$2.36 per share, which was the last reported sale price of our common stock on The NASDAQ Capital Market on October 3, 2012) for aggregate gross proceeds of approximately \$40.0 million, and after deducting commissions and estimated aggregate offering expenses payable by us, you will experience immediate dilution of \$1.86 per share, representing the difference between the assumed conversion price per share and our pro forma as adjusted net tangible book value per share as of June 30, 2012 after giving effect to this offering at the assumed size and offering price. In addition, you will experience dilution when we issue additional shares of common stock that we are permitted or required to issue under outstanding warrants and options under our stock option plan or other employee or director compensation plans.

Holders of the Series 17 Preferred Stock will have no rights as holders of common stock until they acquire common stock.

Until you acquire shares of common stock upon conversion of the Series 17 Preferred Stock, you will have no rights with respect to our common stock, other than the right of the convertible preferred stock to receive dividends equal to and on the same terms as dividends actually paid on common stock, including rights to vote or respond to tender offers. Upon conversion of your Series 17 Preferred Stock, you will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs after the conversion or exercise date, as applicable.

Since we have broad discretion in how we use the net proceeds from this offering, we may use the net proceeds in ways in which you disagree.

We will use the net proceeds from this offering for general corporate purposes. We may use a portion of the net proceeds from this offering to fund possible investments in, or acquisitions of, complementary businesses, technologies or products. See **Use of Proceeds**. We have not allocated specific amounts of the net proceeds from this offering for any specific purpose. Accordingly, our management will have significant flexibility in applying the net proceeds of this offering. You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for our company. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, operating results and cash flow.

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Risks Related to Holders of our Common Stock

Shares of common stock are equity securities and are subordinate to our future indebtedness.

Shares of common stock are common equity interests. This means that our common stock ranks junior to the Series 17 Preferred Stock and any other preferred stock that we may issue in the future, to our indebtedness and to all creditor claims and other non-equity claims against us and our assets available to satisfy claims on us, including claims in a bankruptcy or similar proceeding. Our existing and future indebtedness and our preferred stock may restrict payment of dividends on our common stock.

Additionally, unlike indebtedness, where principal and interest customarily are payable on specified due dates, in the case of our common stock, (i) dividends are payable only when and if declared by our board of directors or a duly authorized committee of our board of directors, and (ii) as a corporation, we are restricted to making dividend payments and redemption payments out of legally available assets. We have never paid a dividend on our common stock and have no current intention to pay dividends in the future. Furthermore, our common stock places no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the voting rights available to our shareholders generally.

The market price of shares of our common stock may be adversely affected by market conditions affecting the stock markets in general, including price and trading fluctuations on The NASDAQ Capital Market.

The market price of our common stock may be adversely affected by market conditions affecting the stock markets in general, including price and trading fluctuations on The NASDAQ Capital Market. These conditions may result in (i) volatility in the level of, and fluctuations in, the market prices of stocks generally and, in turn, our shares of common stock, and (ii) sales of substantial amounts of our common stock in the market, in each case that could be unrelated or disproportionate to changes in our operating performance.

There may be future sales or other dilution of our equity, which may adversely affect the market price of shares of our common stock.

We are not restricted from issuing additional shares of common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, shares of common stock or preferred stock, or any substantially similar securities. We expect to issue additional equity securities to fund our operating expenses as well as for other purposes. The market price of our shares of common stock or preferred stock could decline as a result of sales of a large number of shares of our common stock or preferred stock or similar securities in the market, or the perception that such sales could occur in the future. We cannot predict the effect that future sales of our common stock would have on the market price of our common stock.

The market price of shares of our common stock is extremely volatile, which may affect our ability to raise capital in the future and may subject the value of your investment in our securities to sudden decreases.

The market price for securities of biopharmaceutical and biotechnology companies, including ours, historically has been highly volatile, and the market from time to time has experienced significant price and volume fluctuations that are unrelated to the operating performance of such companies. For example, during the 12-month period ended October 3, 2012, our stock price has ranged from a low of \$1.77 to a high of \$8.25, adjusting for our recent reverse stock split. Fluctuations in the trading price or liquidity of our common stock may adversely affect the value of your investment in our common stock.

Factors that may have a significant impact on the market price and marketability of our securities include:

announcements by us or others of results of preclinical testing and clinical trials and regulatory actions;

announcements by us or others of serious adverse events that have occurred during treatment of patients following grant of conditional marketing authorization for Pixuvri in the European Union;

announcements of technological innovations or new commercial therapeutic products by us, our collaborative partners or our present or potential competitors;

our issuance of debt, equity or other securities, which we need to pursue to generate additional funds to cover our current operating expenses;

our quarterly operating results;

developments or disputes concerning patent or other proprietary rights;

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developments in our relationships with collaborative partners;

acquisitions or divestitures;

litigation and government proceedings;

adverse legislation, including changes in governmental regulation;

third-party reimbursement policies;

changes in securities analysts' recommendations;

short selling;

changes in health care policies and practices;

halting or suspension of trading in our common stock on The NASDAQ Capital Market by NASDAQ or on the MTA by Commissione Nazionale per le Società e la Borsa, or CONSOB, or the Borsa Italiana;

economic and other external factors; and

general market conditions.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. For example, in the case of our company, we and certain of our officers and directors are named as defendants in purported securities class action and shareholder derivative lawsuits brought on behalf of a putative class of purchasers of our securities from March 25, 2008 through March 22, 2010. These lawsuits seek unspecified damages and, as with any litigation proceeding, we cannot predict with certainty the eventual outcome of pending litigation. Furthermore, we may have to incur substantial expenses in connection with these lawsuits and our management's attention and resources could be diverted from operating our business as we respond to the litigation. We maintain significant insurance to cover these risks for us and our directors and officers, but our insurance is subject to high deductibles to reduce premium expense, and there is no guarantee that the insurance will cover any specific claim that we currently face or may face in the future, or that it will be adequate to cover all potential liabilities and damages.

Anti-takeover provisions in our charter documents, in our shareholder rights agreement, or rights plan, and under Washington law could make removal of incumbent management or an acquisition of us, which may be beneficial to our shareholders, more difficult.

Provisions of our articles of incorporation and amended and restated bylaws may have the effect of deterring or delaying attempts by our shareholders to remove or replace management, to commence proxy contests, or to effect changes in control. These provisions include:

a classified board so that only approximately one third of our board of directors is elected each year;

elimination of cumulative voting in the election of directors;

procedures for advance notification of shareholder nominations and proposals;

the ability of our board of directors to amend our amended and restated bylaws without shareholder approval; and

the ability of our board of directors to issue shares of preferred stock without shareholder approval upon the terms and conditions and with the rights, privileges and preferences as our board of directors may determine.

Pursuant to our rights plan, an acquisition of 20% or more of our common stock could result in the exercisability of the preferred stock purchase right accompanying each share of our common stock (except those held by a 20% shareholder, which become null and void), thereby entitling the holder to receive upon exercise, in lieu of a number of units of preferred stock, that number of shares of our common stock having a market value of two times the exercise price of the right. The existence of our rights plan could have the effect of delaying, deferring or preventing a third party from making an acquisition proposal for us and may inhibit a change in control that some, or a majority, of our shareholders might believe to be in their best interest or that could give our shareholders the opportunity to realize a premium over the then-prevailing market prices for their shares.

In addition, as a Washington corporation, we are subject to Washington law which imposes restrictions on some transactions between a corporation and certain significant shareholders. These provisions, alone or together, could have the effect of deterring or delaying changes in incumbent management, proxy contests or changes in control.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering after deducting commissions and expenses will be approximately \$.

We plan to use the net proceeds from this offering to support the launch of Pixuvri in Europe and to commence phase III trials of pacritinib as well as for general corporate purposes, which may include, among other things, funding research and development, preclinical and clinical trials, the preparation and filing of new drug applications, the acquisition of complementary businesses, technologies or products and general working capital.

The amounts and timing of the expenditures for general corporate purposes may vary significantly, depending on numerous factors, including the progress of our clinical trials and other development efforts, as well as the amount of cash used in our operations. Accordingly, our management will have broad discretion in the application of the net proceeds of this offering. We reserve the right to change the use of proceeds as a result of certain contingencies such as competitive developments and other factors. Pending the uses described above, we may temporarily invest the net proceeds of this offering in short- and medium-term interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

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Table of Contents**DILUTION**

If you purchase shares of Series 17 Preferred Stock in this offering, assuming the conversion of the shares of the Series 17 Preferred Stock into shares of our common stock, your interest will be diluted to the extent of the difference between the assumed conversion price of \$2.36 per share of our common stock (which was the last reported sale price of our common stock on The NASDAQ Capital Market on October 3, 2012), and the pro forma as adjusted net tangible book value per share of our common stock after this offering. We calculate net tangible book value per share by dividing the net tangible book value, tangible assets less total liabilities, by the number of outstanding shares of common stock.

Our net tangible book value as of June 30, 2012 was \$(1.5) million, or \$(0.03) per share of common stock. After giving effect to the sale of 40,000 shares of Series 17 Preferred Stock and the conversion of the Series 17 Preferred Stock into 16,949,153 shares of our common stock at an assumed conversion price of \$2.36 per share of our common stock (which was the last reported sale price of our common stock on The NASDAQ Capital Market on October 3, 2012), less the underwriting discounts and commissions and our estimated offering expenses, our as adjusted net tangible book value as of June 30, 2012 would have been approximately \$34.9 million, or approximately \$0.50 per share of common stock. This represents an immediate increase in the pro forma net tangible book value of \$0.53 per share to existing stockholders and an immediate dilution of \$1.86 per share to new investors purchasing units in this offering at the public offering price. The following table illustrates this per share dilution:

Public offering price per share of Series 17 Preferred Stock	\$ 1,000
Assumed per share conversion price per share of our common stock	\$ 2.36
Net tangible book value per share of common stock as of June 30, 2012	\$ (0.03)
Increase in net tangible book value per share attributable to new investors in this offering	\$ 0.53
As adjusted pro forma net tangible book value per share of common stock	\$ 0.50
Dilution per share of common stock to new investors in this offering	\$ 1.86

Depending on market conditions and other considerations at the time we price this offering, we may sell a greater or lesser number of shares of Series 17 Preferred Stock than the number set forth on the cover page of this prospectus supplement. An increase (decrease) of 1,000 in the number of shares of Series 17 Preferred Stock we are offering would increase (decrease) our as adjusted net tangible book value by approximately \$0.9 million, or \$0.01 per share, and would decrease (increase) dilution to investors in this offering by approximately \$0.01 per share, assuming the public offering price per share of Series 17 Preferred Stock remains the same. This information is illustrative only, and following the pricing of this offering, we will update this information based on the actual public offering price and other terms of this offering.

The above discussion is based on 52,247,649 shares of our common stock outstanding as of June 30, 2012 and excludes an aggregate of 9,974,787 shares of our common stock issuable upon the exercise of options, warrants and rights outstanding as of June 30, 2012. To the extent the options, warrants or rights outstanding as of June 30, 2012 have been or are exercised, or other shares are issued, investors purchasing shares of Series 17 Preferred Stock in this offering could experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our shareholders.

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DETERMINATION OF OFFERING PRICE

Prior to this offering, there was no public market for the Series 17 Preferred Stock. The terms and conditions of the Series 17 Preferred Stock, including the conversion price, were determined by negotiation between us and the underwriters. The principal factors considered in determining these terms and conditions include:

the market price of our common stock;

the information set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, and otherwise available to the underwriters;

our history and prospects and the history of, and prospects for, the industry in which we compete;

our past and present financial performance and an assessment of our management;

our prospects for future earnings and the present state of our development;

the general condition of the securities markets at the time of this offering;

the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and

other factors deemed relevant by the underwriters and us.

Table of Contents**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table sets forth our ratio of earnings to combined fixed charges and preferred stock dividends for each of the periods indicated:

	SIX MONTHS ENDED JUNE 30, 2012	2011	YEAR ENDED DECEMBER 31,				2007
			2010	2009	2008		
Ratio of earnings to combined fixed charges and preferred stock dividends ⁽¹⁾							

(1) Earnings were not sufficient to cover combined fixed charges and preferred stock dividends. Earnings consist of income (loss) before provision for income taxes plus fixed charges. Fixed charges consist of interest charges and that portion of rental payments under operating leases we believe to be representative of interest. Earnings for the six months ended June 30, 2012 and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007, were insufficient to cover fixed charges and preferred stock dividends, by \$76.0, \$121.1, \$147.6, \$116.8 and \$202.9 and \$148.3 (in millions), respectively. For this reason, no ratios are provided for these periods.

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DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock and do not currently anticipate declaring or paying cash dividends on our common stock in the foreseeable future. We currently intend to retain all of our future earnings, if any, to finance operations. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects, contractual restrictions and other factors that our board of directors may deem relevant.

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DESCRIPTION OF THE SECURITIES WE ARE OFFERING

The material terms and provisions of the Series 17 Preferred Stock being offered pursuant to this prospectus supplement and the accompanying prospectus are summarized below. This summary is subject to, and qualified in its entirety by, the rights, preferences and privileges of the Series 17 Preferred Stock set forth in the articles of amendment to our articles of incorporation to be filed as an exhibit to our Current Report on Form 8-K, which we expect to file with the SEC in connection with this offering.

Description of Series 17 Preferred Stock

Rank

The Series 17 Preferred Stock will, with respect to rights upon our liquidation, dissolution or winding up, rank senior to our common stock and, so long as at least 20% of the aggregate originally issued shares of Series 17 Preferred Stock are outstanding, we may not repay, repurchase or offer to repay or repurchase or otherwise acquire any material amount of common stock or other securities junior to the Series 17 Preferred Stock except for repurchases of up to 5,750,000 shares of common stock in any 12-month period from employees, officers, directors, consultants or others who perform services for us and who are subject to an agreement with us providing a right of repurchase of such shares at cost or on the occurrence of certain events, such as termination of employment. The Series 17 Preferred Stock ranks *pari passu* with our common stock with respect to dividends.

Dividends

Holders of Series 17 Preferred Stock are entitled to receive dividends on shares of Series 17 Preferred Stock equal (on an as if converted to common stock basis) to and in the same form as dividends actually paid on shares of our common stock or other junior securities. All declared but unpaid dividends on the Series 17 Preferred Stock shall increase the stated value of the Series 17 Preferred Stock, but when such dividends are actually paid such increase shall be rescinded.

Liquidation Preference

Upon our voluntary or involuntary dissolution, liquidation or winding up, each holder of the Series 17 Preferred Stock will be entitled to receive a liquidation preference equal to the initial stated value of such holder's Series 17 Preferred Stock of \$1,000 per share, plus any declared and unpaid dividends and any other payments that may be due on the shares, before any distribution of assets may be made to holders of capital stock ranking junior to the Series 17 Preferred Stock. In the event that the amount available for payment of this liquidation preference is less than the full amount of the stated value of all shares of Series 17 Preferred Stock then outstanding, the assets to be distributed to the holders of the Series 17 Preferred Stock will be ratably distributed among such holders in accordance with the respective amounts that would be payable on such holder's shares if the liquidation preference was paid in full.

Conversion

Optional Conversion

The Series 17 Preferred Stock shall be convertible at the option of the holders thereof at any time after issuance into the number of registered shares of common stock determined by dividing the aggregate stated value of the Series 17 Preferred Stock being converted by the conversion price then in effect. The initial conversion price is \$ _____ and is subject to adjustment as described below. This right to convert is limited by the beneficial ownership limitation described below.

Conversion Procedures

On the date of any conversion at the option of the holders, if a holder's interest is a beneficial interest in a global certificate representing Series 17 Preferred Stock, the holder must comply with the Depository's procedures for converting a beneficial interest in a global security. The Depository Trust Company initially will act as Depository.

If a holder's interest is in certificated form, a holder must do each of the following in order to convert:

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complete and manually sign the conversion notice provided by the conversion agent, or a facsimile of the conversion notice, and deliver this irrevocable notice to the conversion agent;

surrender the shares of Series 17 Preferred Stock to the conversion agent;

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if required, furnish appropriate endorsements and transfer documents;

if required, pay any stock transfer, documentary, stamp or similar taxes not payable by us; and

if required, pay funds equal to any declared and unpaid dividend payable on the next dividend payment date to which such holder is entitled.

The date on which a holder complies with the foregoing procedures is the conversion date.

The conversion agent for the Series 17 Preferred Stock is initially the transfer agent. A holder may obtain copies of the required form of the conversion notice from the conversion agent. The conversion agent will, on a holder's behalf, convert the Series 17 Preferred Stock into shares of our common stock, in accordance with the terms of the notice delivered by us. A stock certificate or certificates representing the shares of common stock to be delivered in connection with the conversion, together with, if applicable, any payment of cash in lieu of fractional shares, will be delivered by us to the holder, or in the case of global certificates, a book-entry transfer through the Depositary will be made by the conversion agent. Such delivery will be made as promptly as practicable, but in no event later than three Business Days following the conversion date.

The person or persons entitled to receive the shares of common stock issuable upon conversion of the Series 17 Preferred Stock will be treated as the record holder(s) of such shares as of the close of business on the applicable conversion date. On the conversion date, all rights with respect to the shares of Series 17 Preferred Stock so converted, including the rights, if any, to receive notices, will terminate, except only the rights of holders thereof to receive the number of whole shares of common stock into which such shares of Series 17 Preferred Stock have been converted. Prior to the close of business on the applicable conversion date, the shares of common stock issuable upon conversion of the Series 17 Preferred Stock will not be deemed to be outstanding for any purpose and you will have no rights with respect to the common stock, including voting rights by virtue of holding the Series 17 Preferred Stock.

Automatic Conversion

On the first to occur of (i) the 30th day after the original issuance date of the Series 17 Preferred Stock, (ii) the date on which 5,000 or less shares of Series 17 Preferred Stock remain outstanding or (iii) the adoption by our board of directors of a resolution that it intends to adopt an amendment to our articles of incorporation without shareholder approval to effect a reverse stock split with respect to our common stock in order to achieve compliance with the listing rules of The NASDAQ Capital Market or for other good faith business reasons, all outstanding shares of Series 17 Preferred Stock shall automatically convert into the number of registered shares of common stock determined by dividing the aggregate stated value of the Series 17 Preferred Stock being converted by the conversion price then in effect. This automatic conversion is limited by the beneficial ownership limitation described below.

Beneficial Ownership Limitation

We cannot effect a conversion, and no holder may request conversion, of the Series 17 Preferred Stock to the extent, following such conversion, the holder and its affiliates would beneficially own more than 4.99% of our common stock, provided that a holder may elect to increase the maximum conversion threshold to 9.99% of our common stock by providing us with 61 days' prior notice. In addition, in the event of an automatic conversion, the maximum conversion threshold will increase to 19.99% without any further action on the part of a holder. The amount of beneficial ownership of a holder and its affiliates will be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations of that section.

Conversion Price Adjustment

Stock Dividends and Stock Splits. If we pay a stock dividend or otherwise make a distribution payable in shares of common stock on shares of common stock or any common stock equivalents, subdivide or combine our outstanding common stock, or reclassify our common stock in such a way that we issue additional shares of our capital stock, the conversion price will be adjusted by multiplying the then-existing conversion price by a fraction, the numerator of which is the number of shares outstanding immediately before the distribution, dividend, adjustment or recapitalization and the denominator of which is the number of shares outstanding immediately after such action.

Rights Offerings. If we issue rights, options or warrants to holders of common stock giving such holders a right to subscribe for or purchase shares of common stock at a price per share lower than the volume weighted average price of the common stock on the record date for such issuance and do not offer the same rights to the holders of the Series 17 Preferred Stock, the conversion price will be adjusted to reflect the rights

offering by multiplying such

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conversion price by a fraction, the numerator of which is the number of shares outstanding before such record date plus the number of shares which the aggregate offering price (assuming full subscription) would purchase at the volume weighted average price of the common stock on such record date and the denominator of which is the number of shares of common stock outstanding on the record date plus the aggregate number of shares offered for subscription or purchase.

Pro Rata Distributions. If we distribute (other than as a dividend) evidences of our indebtedness, assets (including cash or cash dividends), warrants or other rights to subscribe for our securities (other than common stock) to the holders of common stock, then the conversion price will be adjusted by multiplying the conversion price in effect immediately prior to the record date for such distribution by a fraction, the numerator of which is the volume weighted average price of the common stock on such record date minus the fair market value at such record date of the distributed evidence of indebtedness, asset, warrant or other right applicable to one share of common stock, such fair market value to be determined by the board in good faith, and the denominator of which is the volume weighted average price of the common stock on such record date.

Fundamental Transaction. If we effect a fundamental transaction (as defined below), then upon any future conversion of the Series 17 Preferred Stock, the holders will have the right to receive, for each share of common stock they would have received upon such conversion, the same kind and amount of securities, cash or property as such holder would have been entitled to receive in the fundamental transaction had it been the holder of a share of common stock immediately prior to the fundamental transaction. The term fundamental transaction means any of the following:

a merger or consolidation of the Company with or into another entity in which the Company is not the surviving entity;

the sale of all or substantially all of our assets in one transaction or a series of related transactions (provided, however, that a fundamental transaction shall not include us entering into a license or other agreement that licenses any intellectual property to an unaffiliated and unrelated person so long as we and our subsidiaries continue to have bona fide, substantial and continuing business operations and activities after such license or other agreement is entered into);

any completed tender offer or exchange offer allowing holders of common stock to tender or exchange their shares for cash, property or securities, regardless of who makes such offer; or

any reclassification of common stock or any compulsory share exchange by which common stock is effectively converted into or exchanged for other securities, cash or property (but not a reverse stock split).

If the holders of common stock are given a choice as to the securities, cash or property to be received in a fundamental transaction, the holders of Series 17 Preferred Stock will be given the same choice on conversion of such holder's shares.

Voting Rights

The Series 17 Preferred Stock shall have no voting rights, except to the extent expressly provided in our articles of incorporation or as otherwise required by law. However, so long as at least 20% of the aggregate originally issued shares of Series 17 Preferred Stock are outstanding, we cannot take any of the following actions without the affirmative consent of holders of a majority of the outstanding Series 17 Preferred Stock:

amend our articles of incorporation, bylaws or other charter documents in each case so as to materially, specifically and adversely affect the rights of any holder with respect to the Series 17 Preferred Stock;

repay, repurchase or offer to repay or repurchase or otherwise acquire any of our common stock, common stock equivalents or securities junior to the Series 17 Preferred Stock, except the repurchase of up to 5,750,000 shares of common stock in any 12-month period from employees, officers, directors, consultants or others performing services for us or any of our subsidiaries under

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agreements approved by a majority of our board of directors or under which we have the option to repurchase such shares at cost or at cost on the occurrence of certain events such as termination of employment;

authorize or create any class of senior preferred stock with respect to dividend rights or liquidation preference; or

enter into any agreement or understanding to take any of the actions listed above.

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Miscellaneous

There are no restrictions on repurchase or redemption of the shares of Series 17 Preferred Stock while there is any arrearage in dividends or sinking fund installments.

Form and Book-Entry System

The shares of Series 17 Preferred Stock will initially be issued and maintained in the form of global securities held in book-entry form. The Depository Trust Company, or DTC, or its nominee will be the sole registered holder of the shares of Series 17 Preferred Stock. Owners of beneficial interests in the shares of Series 17 Preferred Stock represented by the global securities will hold their interests pursuant to the procedures and practices of DTC. As a result, beneficial interests in any such securities will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. Owners of beneficial interests must exercise any rights in respect of other interests, including any right to convert or require repurchase of their interests in the shares of Series 17 Preferred Stock, in accordance with the procedures and practices of DTC. Owners of such beneficial interests will not be holders and will not be entitled to any rights provided to the holders of the shares of Series 17 Preferred Stock under the global securities or the articles supplementary thereto. We and any of our agents may treat DTC as the sole holder and registered owner of the global securities.

Any holder of shares of the Series 17 Preferred Stock will have the right to request a certificate therefor and upon such request made in writing to the Transfer Agent and Registrar for the shares of Series 17 Preferred Stock, we will cause to be issued a duly executed certificate for such shares of Series 17 Preferred Stock registered in the name in which the shares of Series 17 Preferred Stock were held in book-entry form or such other name(s) as specified by the holder in writing. In addition, the shares of Series 17 Preferred Stock, represented by one or more global securities, will be exchangeable for certificated securities with the same terms if:

DTC is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within ninety (90) days; or

we decide to discontinue use of the system of book-entry transfer through DTC.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC facilitates the settlement of transactions amongst participants through electronic computerized book-entry changes in participants' accounts, eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

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DESCRIPTION OF CAPITAL STOCK

This summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of our articles of incorporation, our bylaws and all applicable provisions of Washington law.

General

We are authorized to issue 150,000,000 shares of common stock, no par value, and 333,333 shares of preferred stock, no par value. As of September 28, 2012, there were 62,270,179 shares of common stock outstanding, warrants to purchase approximately 8,411,577 shares of common stock outstanding and no shares of preferred stock outstanding. In addition, as of September 28, 2012, 3,936,949 shares of common stock were reserved for issuance under our equity compensation plans, 43,611 shares of common stock were reserved for issuance under our employee stock purchase plan and 13 shares of common stock were reserved for issuance upon exercise of outstanding restricted share rights, as well as 6,227 shares of Series ZZ Junior Participating Cumulative Preferred Stock reserved for issuance pursuant to our shareholders' rights plan.

On April 15, 2007, we effected a 1-for-4 reverse stock split of our common stock, on August 31, 2008, we effected a 1-for-10 reverse stock split of our common stock, on May 15, 2011, we effected a 1-for-6 reverse stock split of our common stock and, on September 2, 2012, we effected a 1-for-5 reverse stock split of our common stock.

Common Stock

Each holder of common stock is generally entitled to one vote for each share held on all matters to be voted upon by the shareholders and there are no cumulative voting rights. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably the dividends, if any, that are declared from time to time by the board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share in our assets remaining after the payment of liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of Series 17 Preferred Stock, as well as any other series of preferred stock that we may designate in the future.

General Description of Preferred Stock

Our board of directors has the authority, without action by the shareholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effects of the issuance of any shares of preferred stock upon the rights of holders of the common stock until our board of directors determines the specific rights of the holders of the particular preferred stock. However, the effects could include, among other things:

restricting dividends on the common stock;

diluting the voting power of the common stock;

impairing the liquidation rights of the common stock; or

delaying or preventing a change in control of the Company without further action by the shareholders.

Anti-Takeover Effects of Provisions of Washington Law, Our Articles of Incorporation and Bylaws and Our Rights Plan

Washington law contains certain provisions that may have the effect of delaying, deterring or preventing a change in control of the Company. Chapter 23B.19 of the Washington Business Corporation Act prohibits us, with certain exceptions, from engaging in certain significant business transactions with an acquiring person (defined generally as a person or group of persons who acquire 10% or more of our voting securities) for a

period of five years following

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the acquiring person's share acquisition date. The prohibited transactions include, among others, a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person, or any other receipt by the acquiring person of a disproportionate benefit as a shareholder. Exceptions to this statutory prohibition include approval of the transaction at a shareholders meeting by holders of not less than two-thirds of the outstanding shares entitled to vote on the transaction, not counting shares as to which the acquiring person has beneficial ownership or voting control, transactions approved by the board of directors prior to the acquiring person first becoming an acquiring person or a merger, share exchange, consolidation, liquidation, distribution or certain other significant business transactions entered into with the acquiring person where certain requirements regarding the fairness of the consideration to be received by the shareholders have been met. We may not exempt ourselves from coverage of this statute. These statutory provisions may have the effect of delaying, deterring or preventing a change in control of the Company.

Our board of directors is divided into three approximately equal classes of directors serving staggered three-year terms. In addition, our articles of incorporation provide that directors may be removed from office only at a meeting of the shareholders called expressly for that purpose and only for cause. Our articles of incorporation limit cause to willful misfeasance having a material adverse effect on us or conviction of a felony, provided that any action by a director shall not constitute cause if, in good faith, the director believed the action to be in, or not opposed to, our best interests or if the director is entitled to be indemnified with respect to such action under applicable law, our articles of incorporation or bylaws or a contract with us. Further, our bylaws require a shareholder to provide notice to us of such shareholder's intention to nominate a person or persons for election as directors not later than 90 days prior to the first anniversary of the previous year's annual meeting or, in the case of an election to be held at a special meeting of the shareholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to shareholders. A shareholder must also provide us with notice of such shareholder's intent to make any proposal at an annual meeting of shareholders not later than 90 days prior to the first anniversary of the previous year's annual meeting of shareholders. These provisions may have the effect of deterring hostile takeovers or delaying a change in control of our management.

On December 28, 2009, we entered into our rights plan with Computershare Trust Company, N.A. as rights agent. In connection with our rights plan, one preferred stock purchase right was distributed for each common share held as of the close of business on January 7, 2010. Initially, the rights are not exercisable and are attached to, and trade with, all of the shares of common stock outstanding as of, and issued subsequent to, the record date (as defined in the rights plan). On August 31, 2012, we amended our rights plan in connection with our 1-for-5 reverse stock split effected on September 2, 2012, and each right, if and when it becomes exercisable, will entitle the holder to purchase one ten-thousandths of a share of Series ZZ Junior Participating Cumulative Preferred Stock for \$14.00, subject to standard adjustment in the rights plan. Upon the acquisition of 20% or more of our common stock by a person or group, subject to certain exceptions (such acquisition referred to herein as a 20% acquisition), the rights will become exercisable for our preferred stock, except for those rights held by such 20% acquirer, which will become null and void. Upon a 20% acquisition, the holder of an exercisable right will be entitled to receive, upon exercise, in lieu of preferred stock, that number of shares of common stock, or in certain circumstances, including if there are insufficient shares of common stock to permit the exercise in full of the rights, preferred stock, other securities, cash, property or a reduction in the exercise price of the rights, or any combination of the foregoing, having a market value of two times the exercise price of the right.

If we are acquired in a merger, consolidation or certain other business combination transactions after a 20% acquisition, each holder of an exercisable right would then have the right to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the exercise price of the right.

Our board of directors may redeem the rights for \$0.0001 per right or amend the rights plan at any time prior to a 20% acquisition or the expiration of the rights plan. The rights plan will expire on January 7, 2013, unless the rights are previously redeemed or exchanged by us.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Table of Contents**UNDERWRITING**

Subject to the terms and conditions set forth in the underwriting agreement to be dated on or about October , 2012, between us and Jefferies & Company, Inc., as representative of the several underwriters listed in the table below, we have agreed to sell to the underwriters and the underwriters have severally agreed to purchase from us the number of shares of Series 17 Preferred Stock indicated in the table below:

UNDERWRITERS	NUMBER OF SHARES OF SERIES 17 PREFERRED STOCK
Jefferies & Company, Inc.	
Roth Capital Partners, LLC	
ThinkEquity LLC	
Total	40,000

Jefferies & Company, Inc. is acting as sole book-running manager of this offering and as representative of the underwriters named above.

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares of Series 17 Preferred Stock if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that they currently intend to make a market in our common stock. However, the underwriters are not obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the common stock. We do not expect there to be a trading market for the shares of Series 17 Preferred Stock, and the underwriters have informed us that they do not intend to make a market in the shares of Series 17 Preferred Stock.

The underwriters are offering the shares of Series 17 Preferred Stock to investors subject to their acceptance of the shares of Series 17 Preferred Stock from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. In addition, the underwriters have advised us that they do not intend to confirm sales to any account over which they exercise discretionary authority.

Commission and Expenses

The underwriters have advised us that they propose to offer the shares of Series 17 Preferred Stock to the public at the initial public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$ per \$ share of Series 17 Preferred Stock. The underwriters may allow, and certain dealers may re-allow, a discount from the concession not in excess of \$ per \$ share of Series 17 Preferred Stock to certain brokers and dealers. After the offering, the initial public offering price, concession and reallowance to dealers may be reduced by the representative. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

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The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering.

	PER SHARE OF SERIES 17 PREFERRED STOCK⁽¹⁾	TOTAL
Public offering price	\$	\$
Underwriting discounts and commissions paid by us	\$	\$
Proceeds to us, before expenses	\$	\$

(1) Excludes shares of common stock issuable upon conversion of the Series 17 Preferred Stock offered hereby.

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$.

Listing

Our common stock is listed on The NASDAQ Capital Market and on the MTA under the trading symbol CTIC. We do not plan to list the shares of Series 17 Preferred Stock on any exchange.

No Sales of Similar Securities

We and our officers and directors have agreed, subject to specified exceptions, not to directly or indirectly:

sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open put equivalent position within the meaning of Rule 16a-1(h) under the Exchange Act;

otherwise dispose of any preferred stock, common shares, options or warrants to acquire common shares, or securities exchangeable or exercisable for or convertible into common shares currently or hereafter owned either of record or beneficially; or

publicly announce an intention to do any of the foregoing for a period of 90 days after the date of this prospectus supplement without the prior written consent of Jefferies & Company, Inc.

This restriction terminates after the close of trading of our common stock on and including the 90th day after the date of this prospectus supplement. However, subject to certain exceptions, in the event that prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day restricted period, then in either case the expiration of the 90-day restricted period will be extended until the expiration of the 18-day period beginning on the date of the issuance of an earnings release or the occurrence of the material news or event, as applicable, unless Jefferies & Company, Inc. waives, in writing, such an extension.

Jefferies & Company, Inc. may, in its sole discretion and at any time or from time to time before the termination of the 90-day period, without public notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the

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underwriters and any of our shareholders who will execute a lock-up agreement providing consent to the sale of shares in transactions otherwise subject to the lock-up restrictions described above prior to the expiration of the lock-up period.

Electronic Distribution

A prospectus in electronic format may be made available by e-mail or on the web sites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' web sites and any information contained in any other web site maintained by any of the underwriters is not part of this prospectus supplement, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

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Affiliations

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and certain of their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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NOTICE TO INVESTORS

Australia

This prospectus supplement and the accompanying prospectus is not a disclosure document for the purposes of Australia's Corporations Act 2001 (Cth) of Australia, or Corporations Act, has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus supplement and the accompanying prospectus in Australia:

You confirm and warrant that you are either:

a sophisticated investor under section 708(8)(a) or (b) of the Corporations Act;

a sophisticated investor under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made; or

professional investor within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor or professional investor under the Corporations Act any offer made to you under this prospectus supplement and the accompanying prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus supplement and the accompanying prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, or each, a Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, no offer of any securities which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus has been or will be made to the public in that Relevant Member State other than any offer where a prospectus has been or will be published in relation to such securities that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the relevant competent authority in that Relevant Member State in accordance with the Prospectus Directive, except that with effect from and including the Relevant Implementation Date, an offer of such securities may be made to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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For the purposes of this provision, the expression an offer to the public in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

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Hong Kong

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

This prospectus supplement and the accompanying prospectus have not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus supplement and the accompanying prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus supplement and the accompanying prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

Italy

The offering of the securities pursuant to this prospectus supplement and the accompanying prospectus has not been registered with or cleared by CONSOB pursuant to the Prospectus Directive and Italian securities laws and regulations and no prospectus has been or will be distributed in the Republic of Italy, or Italy. Accordingly, the securities have not been and will not be offered, sold or distributed, directly or indirectly, in Italy in an offer to the public of financial products under the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998 as amended, or the Financial Services Act, and copies of this prospectus supplement, the accompanying prospectus or any other document relating to the offering of the securities may not and will not be distributed in Italy unless an exception applies. Therefore, the securities may only be offered, sold or delivered within the territory of Italy:

(a) to qualified investors (*investitori qualificati*), as defined in Article 34-ter, par. 1, b) of CONSOB Regulation No. 11971 of May 14, 1999, both as amended, or the Issuers Regulation; or

(b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, including, without limitation, as provided under Article 100 of the Financial Services Act and Article 34-ter of the Issuers Regulation.

In addition, and subject to the foregoing, any offer, sale or delivery of the securities in Italy or distribution of this prospectus supplement, the accompanying prospectus or any document relating to the offering in Italy under (a) and (b) above must be carried out:

(i) by investment firms, banks or financial intermediaries authorized to carry out such activities in Italy in accordance with the Financial Services Act, the Issuers Regulation, CONSOB Regulation No. 16190 of October 29, 2007 and Legislative Decree No. 385 of September 1st, 1993, or the Banking Law, all as amended; and

(ii) in compliance with any other applicable laws and regulations, including any conditions, limitations or requirements that may be, from time to time, imposed by the relevant Italian authorities concerning, including, securities, tax matters and exchange controls.

Any investor purchasing securities in this offering is exclusively responsible for ensuring that any offer or resale of the securities it purchased in this offering occurs in compliance with applicable laws and regulations. No person resident or located in Italy other than the original addressees of this document may rely on this document or its contents.

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Article 100-*bis* of the Financial Services Act affects the transferability of the securities in Italy to the extent that any placing of the securities is made solely with qualified investors and such securities are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Should this occur without the publication of a prospectus in conformity with the Prospectus Directive, and outside of the application of one of the exemptions referred to above, purchasers of the securities who are acting outside of the course of their business or profession shall be entitled, under certain conditions, to have such purchase declared void and to claim damages from any authorized intermediary at whose premises the securities were purchased.

Japan

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the Initial Purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means, unless otherwise provided herein, any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus supplement and the accompanying prospectus have not been and will not be lodged or registered with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or the invitation for subscription or purchase of the securities may not be issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person as defined under Section 275(2), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor as defined under Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 of the SFA except:

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA;
- (ii) where no consideration is given for the transfer; or
- (iii) where the transfer is by operation of law.

Switzerland

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The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This prospectus supplement and the accompanying prospectus have been prepared without regard to the disclosure standards for issuance prospectuses

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under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus supplement and the accompanying prospectus nor any other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus supplement and the accompanying prospectus nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus supplement and the accompanying prospectus will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or the CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of securities.

United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a relevant person).

This prospectus supplement and the accompanying prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

All purchasers of shares of Series 17 Preferred Stock in this offering are advised to consult their own tax advisors regarding the federal, state, local and foreign tax consequences of the purchase, ownership, conversion or exercise, as the case may be, and disposition of the units and the ownership and disposition of shares of common stock issuable upon conversion of the Series 17 Preferred Stock in their particular situations.

LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by O Melveny & Myers LLP of San Francisco, California. Certain legal matters relating to Washington law will be passed upon for us by Karr Tuttle Campbell of Seattle, Washington. Certain legal matters relating to Italian law will be passed upon for us by Legance Studio Legale Associato of Milan, Italy. Covington & Burling LLP, New York, New York is counsel for the underwriters in connection with this offering.

EXPERTS

Stonefield Josephson, Inc., an independent registered public accounting firm, has audited our consolidated statements of operations, shareholder s deficit and other comprehensive loss, and cash flows for the year ended December 31, 2009, included in our Annual Report on Form 10-K for the year ended December 31, 2011, as set forth in its report, which is incorporated by reference in this prospectus supplement and the accompanying prospectus (which report includes an explanatory paragraph as to our ability to continue as a going concern). Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Marcum LLP, an independent registered public accounting firm, has audited our consolidated financial statements at December 31, 2010 and December 31, 2011, and for each of the years ended December 31, 2010 and 2011, included in our Annual Report on Form 10-K for the year ended December 31, 2011, and the effectiveness of our internal control over financial reporting as of December 31, 2011 as set forth in its report, which is incorporated by reference in this prospectus supplement and the accompanying prospectus (which report includes an explanatory paragraph as to our ability to continue as a going concern). Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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PROSPECTUS

CELL THERAPEUTICS, INC.

\$150,000,000

Common Stock

Preferred Stock

Debt Securities

Warrants

Rights

Units

From time to time, we may offer and sell in one or more offerings:

shares of our common stock;

shares of our preferred stock;

debt securities;

warrants to purchase common stock, preferred stock and/or debt securities;

rights to purchase common stock, preferred stock and/or debt securities; and

units consisting of two or more of these classes or series of securities.

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We may sell any combination of these securities in one or more offerings, up to an aggregate offering price of \$150,000,000, in amounts, at prices and on terms to be determined at the time of each offering thereof. Each time we offer securities using this prospectus, we will provide specific terms of the securities and the offering in one or more supplements to this prospectus. The prospectus supplements may also add to, update or change the information in this prospectus and will also describe the specific manner in which we will offer the securities. The securities may be offered and sold by us to or through one or more underwriters, broker-dealers or agents, or directly to purchasers on a continuous or delayed basis. See Plan of Distribution.

This prospectus may not be used by us to sell securities unless accompanied by a prospectus supplement. You should carefully read this prospectus and any accompanying prospectus supplement, including the information incorporated by reference, prior to investing in any of our securities.

Our common stock is quoted on The NASDAQ Capital Market and on the Mercato Telematico Azionario, or the MTA, stock market in Italy under the symbol CTIC. On August 1, 2012, the last reported sale price of our common stock on The NASDAQ Capital Market was \$0.49 per share. We do not expect our preferred stock, debt securities, warrants, rights or units to be listed on any securities exchange or over-the-counter market unless otherwise described in the applicable prospectus supplement.

Investing in our securities involves a high degree of risk. See the Risk Factors section on page 4 of this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August 29, 2012

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, utilizing a shelf registration process. Under the shelf registration process, we may, from time to time, sell common stock, preferred stock, debt securities, warrants, rights, units or any combination of these securities in one or more offerings, for a total maximum offering price not to exceed \$150,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell any securities under this prospectus, we will provide a prospectus supplement that will contain more specific information about the terms of that offering, including the specific amounts, prices and terms of the securities offered. Any prospectus supplement may include a discussion of risks or other special considerations applicable to us or the offered securities. Any prospectus supplement may also add to, update or change information contained in this prospectus. To the extent there is a conflict between the information contained in this prospectus, on the one hand, and the information contained in any prospectus, on the other hand, you should rely on the information in the prospectus supplement.

You should read this prospectus, any prospectus supplement, any documents that we incorporate by reference in this prospectus and in any prospectus supplement, and the additional information described below under **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference** before making an investment decision. You should rely only on the information contained or incorporated by reference in this prospectus and any prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information in this prospectus, any prospectus supplement or any documents we incorporate by reference herein or therein is accurate as of any date other than the date on the front of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus, the terms **CTI**, **Company**, **registrant**, **we**, **us**, **our** and similar terms refer to Cell Therapeutics, Inc., a Washington corporation and its subsidiaries, unless the context otherwise requires. **CTI**, **OPAXIO** and **Pixuvri** are our proprietary marks. All other product names, trademarks and trade names referred to in this prospectus, as supplemented from time to time, are the property of their respective owners.