

CELL THERAPEUTICS INC

Form 10-Q

August 06, 2010

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2010

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-12465

**CELL THERAPEUTICS, INC.**

(Exact name of registrant as specified in its charter)

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<b>Washington</b> (State or other jurisdiction of incorporation or organization)	<b>91-1533912</b> (I.R.S. Employer Identification No.)
<b>501 Elliott Avenue West, Suite 400</b>  <b>Seattle, Washington</b> (Address of principal executive offices)	<b>98119</b> (Zip Code)
<b>(206) 282-7100</b>  (Registrant's telephone number, including area code)	

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<b>Class</b>	<b>Outstanding at July 30, 2010</b>
Common Stock, no par value	758,475,531

**Table of Contents**

**CELL THERAPEUTICS, INC.**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>PART I - FINANCIAL INFORMATION</b>	
ITEM 1: Financial Statements	
<u>Condensed Consolidated Balance Sheets at June 30, 2010 (unaudited) and December 31, 2009</u>	3
<u>Condensed Consolidated Statements of Operations Three and Six Months Ended June 30, 2010 and 2009 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Cash Flows Six Months Ended June 30, 2010 and 2009 (unaudited)</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
ITEM 2: <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
ITEM 3: <u>Quantitative and Qualitative Disclosures about Market Risk</u>	28
ITEM 4: <u>Controls and Procedures</u>	28
<u>Report of Independent Registered Public Accounting Firm</u>	30
<b>PART II - OTHER INFORMATION</b>	
ITEM 1: <u>Legal Proceedings</u>	31
ITEM 1A: <u>Risk Factors</u>	34
ITEM 2: <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
ITEM 3: <u>Defaults Upon Senior Securities</u>	54
ITEM 4: <u>(Removed and Reserved)</u>	54
ITEM 5: <u>Other Information</u>	54
ITEM 6: <u>Exhibits</u>	54
<u>Signatures</u>	56

**Table of Contents****CELL THERAPEUTICS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share amounts)**

	<b>June 30, 2010 (unaudited)</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 64,534	\$ 37,811
Prepaid expenses and other current assets	3,409	4,354
<b>Total current assets</b>	<b>67,943</b>	<b>42,165</b>
Property and equipment, net	3,507	3,430
Goodwill	17,064	17,064
Other assets	6,064	6,936
<b>Total assets</b>	<b>\$ 94,578</b>	<b>\$ 69,595</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,187	\$ 7,297
Accrued expenses	9,003	14,807
Current portion of deferred revenue		80
Current portion of long-term obligations	785	1,312
7.5% convertible senior notes	10,158	
4% convertible senior subordinated notes	38,515	40,363
<b>Total current liabilities</b>	<b>64,648</b>	<b>63,859</b>
Deferred revenue, less current portion		239
Long-term obligations, less current portion	1,179	1,861
7.5% convertible senior notes		10,102
5.75% convertible senior notes	11,880	11,677
<b>Total liabilities</b>	<b>77,707</b>	<b>87,738</b>
Commitments and contingencies		
Common stock purchase warrants	12,255	626
Shareholders' equity:		
Common stock, no par value:		
Authorized shares - 800,000,000		
Issued and outstanding shares - 713,503,133 (unaudited) and 590,282,575 at June 30, 2010 and December 31, 2009, respectively	1,539,510	1,418,931
Accumulated other comprehensive loss	(7,667)	(8,412)
Accumulated deficit	(1,526,919)	(1,429,083)
<b>Total CTI shareholders' equity (deficit)</b>	<b>4,924</b>	<b>(18,564)</b>
Noncontrolling interest	(308)	(205)

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Total shareholders' equity (deficit)	4,616	(18,769)
Total liabilities and shareholders' equity	\$ 94,578	\$ 69,595

See accompanying notes.

**Table of Contents****CELL THERAPEUTICS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>				
License and contract revenue	\$ 299	\$ 20	\$ 319	\$ 40
<b>Total revenues</b>	<b>299</b>	<b>20</b>	<b>319</b>	<b>40</b>
<b>Operating expenses, net:</b>				
Research and development	6,914	7,320	14,274	15,276
Selling, general and administrative	13,068	10,580	31,485	19,330
Restructuring charges		3,820		3,944
Gain on sale of investment in joint venture				(10,244)
<b>Total operating expenses, net</b>	<b>19,982</b>	<b>21,720</b>	<b>45,759</b>	<b>28,306</b>
Loss from operations	(19,683)	(21,700)	(45,440)	(28,266)
<b>Other income (expense):</b>				
Investment and other income, net	1	37	263	71
Interest expense	(776)	(1,583)	(1,563)	(3,200)
Amortization of debt discount and issuance costs	(219)	(497)	(434)	(5,348)
Foreign exchange gain (loss)	(825)	54	(1,300)	95
Debt conversion expense	(2,031)		(2,031)	
Make-whole interest expense				(6,345)
Gain on derivative liabilities, net		1,596		7,218
Gain on exchange of convertible notes		7,201		7,201
Equity loss from investment in joint venture				(1,204)
Settlement expense, net		(3,198)		(3,368)
Other income (expense), net	(3,850)	3,610	(5,065)	(4,880)
Net loss before noncontrolling interest	(23,533)	(18,090)	(50,505)	(33,146)
Noncontrolling interest	51	63	103	152
Net loss attributable to CTI	(23,482)	(18,027)	(50,402)	(32,994)
Gain on restructuring of preferred stock				2,116
Preferred stock dividends		(1)		(24)
Deemed dividends on preferred stock	(30,157)	(9,398)	(47,434)	(9,648)
<b>Net loss attributable to CTI common shareholders</b>	<b>\$ (53,639)</b>	<b>\$ (27,426)</b>	<b>\$ (97,836)</b>	<b>\$ (40,550)</b>
Basic and diluted net loss per common share	\$ (0.08)	\$ (0.06)	\$ (0.15)	\$ (0.11)

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Shares used in calculation of basic and diluted net loss per common share	665,963	446,174	632,658	366,293
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See accompanying notes.



**Table of Contents****CELL THERAPEUTICS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Net loss	\$ (50,402)	\$ (32,994)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity-based compensation expense	15,346	1,909
Gain on sale of equity investment in joint venture		(10,244)
Non-cash interest expense	434	5,348
Depreciation and amortization	966	948
Debt conversion expense	2,031	
Non-cash gain on derivative liabilities, net		(7,218)
Gain on exchange of convertible notes		(7,201)
Equity loss from investment in joint venture		1,204
Noncontrolling interest	(103)	(152)
Other	(180)	(63)
Changes in operating assets and liabilities:		