CELL THERAPEUTICS INC
Form S-4/A
December 16, 2002
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As filed with the Securities and Exchange Commission on December 16, 2002

Registration No. 333-101292

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 3
to
FORM S-4
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

CELL THERAPEUTICS, INC.
(Exact name of Registrant as specified in its charter)

Washington	**2834**	**91-1533912**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

501 Elliott Avenue West, Suite 400
Seattle, WA 98119
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

James A. Bianco, M. D.
President and Chief Executive Officer
Cell Therapeutics, Inc.
501 Elliott Avenue West, Suite 400
Seattle, WA 98119
(206) 282-7100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Michael J. Kennedy, Esq.
Michael S. Ringler, Esq.
Wilson Sonsini Goodrich & Rosati
Professional Corporation
One Market, Spear Tower
Suite 3300
San Francisco, CA 94115
(415) 947-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.
If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
5.75% Convertible Senior Subordinated Notes due June 15, 2008	$102,900,000	100%	$58,333,333(1)	$5,367(2)(5)
Common Stock, no par value (3)	10,290,000 shares (4)	(4)	(4)	(4)

(1) Pursuant to Rule 457(f)(2) under the Securities Act of 1933, this amount is one third of the aggregate principal amount of the 5.75% Convertible Subordinated Notes due June 15, 2008 that may be received by the Registrant from tendering holders in the exchange offer described herein.
(2) The registration fee has been calculated pursuant to Rule 457(f) under the Securities Act of 1933.
(3) Includes the associated Rights issued under the Registrant s Rights Agreement.
(4) Represents the number of shares of common stock issuable upon conversion of the 5.75% Convertible Senior Subordinated Notes due June 15, 2008 registered hereunder. No additional consideration shall be received for the common stock issuable upon conversion of the securities and therefore no registration fee is required pursuant to Rule 457 under the Securities Act of 1933. Pursuant to Rule 416 under the Securities Act of 1933, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or other similar event.
(5) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus may change. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Cell Therapeutics, Inc.

Exchange Offer
5.75% Convertible Senior Subordinated Notes Due June 15, 2008
for our 5.75% Convertible Subordinated Notes Due June 15, 2008

We are offering to exchange up to $102,900,000 principal amount of our new 5.75% Convertible Senior Subordinated Notes due June 15, 2008 for up to $175,000,000 principal amount of our existing 5.75% Convertible Subordinated Notes due June 15, 2008. If you elect to tender your existing notes in our exchange offer, for each $1,000 principal amount of our existing notes that you tender, you will receive from us $588 principal amount of our new notes. Our new notes will be issued in denominations of $1,000 or integral multiples of $1,000. We will pay cash for any fractional portion of a new note issuable pursuant to our exchange offer that is less than $1,000 principal amount, after aggregating all of the existing notes that are tendered in our exchange offer by each holder.

Our exchange offer will expire at 12:00 midnight, New York City time, on Tuesday, December 17, 2002, unless we extend the exchange offer.

Our new notes will not be listed on any national securities exchange or included in any automated quotation system, but they will be eligible for trading in the PORTAL Market of the National Association of Securities Dealers, Inc. Our common stock is quoted on the Nasdaq National Market under the symbol CTIC. On December 13, 2002, the last reported sale price of our common stock on the Nasdaq National Market was $7.57 per share.

We mailed this prospectus and the related letter of transmittal for our exchange offer on November 19, 2002.

Please read the Risk Factors section beginning on page 12 of this prospectus for information that you should consider before you decide whether to tender your existing notes in our exchange offer.

We have retained Innisfree M&A Incorporated as the information agent for our exchange offer to assist you in connection with our exchange offer. Banks and brokers may call Innisfree collect at (212) 750-5833, and all others may call toll free at (888) 750-5834, to ask questions about our exchange offer, to request additional copies of our exchange offer materials or to otherwise request assistance in connection with our exchange offer.

Neither we nor our directors or officers make any recommendation to you as to whether you should tender or refrain from tendering all or any portion of your existing notes in our exchange offer. You should consult your own advisors and must make your own decision as to whether to tender your existing notes and, if so, the amount of your existing notes to tender.

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 Dealer Manager for the Exchange Offer is:

CIBC World Markets

This Prospectus is dated December 13, 2002

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date of this prospectus.

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This prospectus incorporates important business and financial information about CTI from documents that we have filed with the Securities and Exchange Commission but have not included in or delivered with this prospectus. For a listing of documents that we have incorporated by reference into this prospectus, please see the section of this prospectus entitled Where You Can Find Additional Information on page 77.

We will provide you with copies of this information, without charge, upon written or oral request to:

Investor Relations Department, Cell Therapeutics, Inc.
501 Elliott Avenue West, Suite 400
Seattle, Washington 98119
Telephone Number: (206) 282-7100

In addition, you may obtain copies of this information by making a request through the investor relations section on our website, **http://www.cticseattle.com**, or by sending an email to invest@ctiseattle.com.

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Summary

The following is a summary of this prospectus. The following summary does not contain all the information that you should consider before deciding whether to tender your existing notes in our exchange offer. You should read this entire prospectus carefully, including the documents that we have attached to or enclosed with this prospectus and that we have incorporated by reference into this prospectus. Unless otherwise indicated, CTI, we, us, our and similar terms refer to Cell Therapeutics, Inc.

Our Company

We develop, acquire and commercialize novel treatments for cancer. Our goal is to build a leading, vertically-integrated biopharmaceutical company with a diversified portfolio of proprietary oncology drugs. Our research and in-licensing activities are concentrated on identifying new, less toxic and more effective ways to treat cancer.

In June 1998, we entered into an agreement with PG-TXL Company, L.P. and scientists at the M.D. Anderson Cancer Center granting us an exclusive worldwide license to the rights to PG-TXL and to all potential uses of PG-TXL Company's polymer technology. PG-TXL is paclitaxel linked to polyglutamate, and is branded as XYOTAX . Based on positive previous clinical data we have initiated pivotal trial programs in lung cancer and ovarian cancer.

In October 2002, we initiated a XYOTAX phase III clinical trial for second-line treatment of non-small cell lung cancer, and have proceeded with two additional phase III trials of XYOTAX in the front line treatment of poor performance status patients with non-small cell lung cancer. In November 2002, we announced that the Gynecologic Oncology Group, or GOG, has agreed to conduct a phase III trial of XYOTAX in front-line treatment of ovarian cancer. This trial is expected to begin in 2003. We have followed the recent guidelines of the Food and Drug Administration, or FDA, for special protocol assessment on all of our pivotal trials and based on correspondence with the FDA we believe that a positive outcome in a pivotal trial will lead to approval in that indication. We currently anticipate completing one or more of the XYOTAX pivotal trials in lung cancer and being in position to file the first New Drug Application for XYOTAX in late 2004. We had initiated a XYOTAX phase III ovarian clinical trial in July 2002, but have since closed this trial following the GOG's decision to conduct a pivotal trial.

We are also developing a novel polyglutamate-camptothecin molecule, or PG-CPT. We filed a U.S. investigational new drug application in December 2001 for this compound, and initiated a Phase I clinical study in the second quarter of 2002.

In September 2000, we received approval of our New Drug Application by the FDA for TRISENOX (arsenic trioxide), commenced sales in October 2000 and have recorded cumulative net product sales for TRISENOX of approximately $14.0 million through September of 2002. In March 2002, we received from the European Agency for the Evaluation of Medicinal Products approval to market TRISENOX in the European Community. We commenced the launch and sale of TRISENOX in the EU during the second quarter of 2002.

We were incorporated in Washington in 1991. Our principal office is located at 501 Elliott Avenue West, Suite 400, Seattle, WA 98119. Our telephone number is (206) 282-7100. Our world wide web address is http://www.cticseattle.com. Information on our web site does not constitute part of this prospectus.

CTI, XYOTAX and TRISENOX are our trademarks. All other product names, trademarks and trade names referred to in this prospectus are the property of their respective owners.

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Terms Of Our Exchange Offer

The following is a summary of the terms of our exchange offer. Before you decide whether to tender your existing notes in our exchange offer, you should read the detailed description of our exchange offer in the section of this prospectus entitled The Exchange Offer beginning on page 26 and of our new notes in the section of this prospectus entitled Description of New Notes beginning on page 35 for further information.

Terms of our Exchange Offer	We are offering up to $102,900,000 aggregate principal amount of our new 5.75% Convertible Senior Subordinated Notes due June 15, 2008 for up to $175,000,000 aggregate principal amount of our existing 5.75% Convertible Subordinated Notes due June 15, 2008. If you elect to tender your existing notes, for each $1,000 principal amount of our existing notes that you tender in our exchange offer, you will receive from us $588 principal amount of our new notes. Our new notes will be issued in denominations of $1,000 or integral multiples of $1,000. We will pay cash for any fractional portion of a new note issuable pursuant to our exchange offer that is less than $1,000 principal amount, after aggregating all notes tendered in our exchange offer by each holder. You may tender all, some or none of your existing notes. Please read the section of this prospectus entitled The Exchange Offer Terms of the Exchange Offer beginning on page 26 for more information.
Conversion Price	The new notes will be convertible at any time prior to maturity at a conversion price of $10 per share, subject to adjustment. Please read the section of this prospectus entitled Description of New Notes Conversion Rights beginning on page 38 for more information.
Expiration Date; Extension	Our exchange offer and the associated withdrawal rights will expire at 12:00 midnight, New York City time, on Tuesday, December 17, 2002, or any subsequent date to which we extend it. We may extend the expiration date of our exchange offer for any reason. If we extend the expiration date of our exchange offer, we will issue a press release or other public announcement no later than 9:00 a.m., Eastern time, on the next business day after the previously scheduled expiration date. You must tender your existing notes prior to the expiration of our exchange offer if you wish to participate in our exchange offer. Please read the sections of this prospectus entitled The Exchange Offer Expiration Date and The Exchange Offer Extensions; Amendments beginning on page 27 for more information.
Conditions to Our Exchange Offer; Termination	Our exchange offer is subject to the registration statement covering our new notes and any post-effective amendment to the registration statement being effective under the Securities Act of 1933. Our exchange offer is also subject to other customary conditions, which we may waive prior to the expiration of our exchange offer. We reserve the right to extend, amend or terminate our exchange offer prior to our acceptance of any previously tendered existing notes if any of these conditions are not satisfied, in our reasonable judgment, prior to the expiration of our exchange offer.

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	Please read the section of this prospectus entitled The Exchange Offer Conditions for Completion of the Exchange Offer beginning on page 31 for more information.
Withdrawal Rights	You may withdraw any or all of our existing notes that you previously tendered in our exchange offer, at any time before the expiration of our exchange offer, by delivering a written notice of withdrawal to State Street Bank and Trust Company of California, N.A., the exchange agent for our exchange offer, before the expiration of our exchange offer. If you change your mind after withdrawing any or all of our existing notes that you previously tendered in our exchange offer, you may retender any or all of your existing notes by again following the exchange offer procedures before the expiration of our exchange offer. Please read the section of this prospectus entitled The Exchange Offer Withdrawal Rights beginning on page 30 for more information.
Procedures for Tendering Existing Notes	If you hold any of our existing notes through a broker, dealer, commercial bank, trust company or other nominee, you should contact that person promptly if you wish to tender any or all of your existing notes in our exchange offer and direct them to tender your existing notes. Tenders of your existing notes will be effected by book-entry transfers through the Depository Trust Company, or DTC. If you hold any of our existing notes through a broker, dealer, commercial bank, trust company or other nominee, you may also comply with the procedures for guaranteed delivery. If you hold your existing notes through DTC and you wish to tender any or all of your existing notes, you must tender your existing notes through DTC s Automated Tender Offer Program (commonly known as ATOP). DTC participants that are accepting the exchange offer must transmit their acceptance to DTC. Please do not send letters of transmittal to us. You should send the letters of transmittal for our exchange offer to State Street Bank and Trust Company of California, N.A., the exchange agent for our exchange offer, at one of its offices listed in the section of this prospectus entitled The Exchange Offer Exchange Agent on page 34, or on the back cover of this prospectus. The exchange agent can answer your questions regarding how to tender your existing notes in our exchange offer. Please read the section of this prospectus entitled The Exchange Offer Procedures for Tendering Existing Notes beginning on page 27 for more information.
Accrued Interest on Existing Notes	Upon completion of our exchange offer, we will pay holders of our existing notes accrued and unpaid interest on any of our existing notes that are tendered and accepted for exchange in our exchange offer. The amount of accrued interest will be calculated from the last interest payment date to, but excluding, the closing date of our exchange offer.

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Interest on New Notes	We will pay interest on our new notes in cash at a rate of 5.75% per year, payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2003. Our new notes may be issued with an original issue discount, referred to as OID, because their stated principal amount may exceed their fair market value issue price by more than the statutory de minimus amount. A holder of new notes, other than a holder whose new notes have amortizable bond premium or offsetting acquisition premium (as described in the section of this prospectus entitled United States Federal Income Tax Consequences U.S. Persons), will be required to include any OID on the notes in gross income as it accrues, in accordance with a constant yield to maturity method over the period the new notes are held, regardless of whether such holder is a cash or accrual basis taxpayer. Please see the section of this prospectus entitled United States Federal Income Tax Consequences U.S. Persons for more information. Please read the section of this prospectus entitled Description of New Notes General beginning on page 35 for more information.
Exchange Agent	State Street Bank and Trust Company of California, N.A. Please read the section of this prospectus entitled The Exchange Offer Exchange Agent on page 34 for more information.
Information Agent	Innisfree M&A Incorporated For information regarding our exchange offer: Banks and brokers call collect: (212) 750-5833 All others call toll free: (888) 750-5834
Dealer Manager	CIBC World Markets Corp.
Risk Factors	You should consider carefully the matters described under Risk Factors, as well as other information in this prospectus and in the related letter of transmittal for our exchange offer, including the information that we have incorporated by reference into this prospectus as listed or described in the section of this prospectus entitled Where You Can Find Additional Information on page 77.
Deciding Whether to Tender Your Existing Notes in Our Exchange Offer	Neither we nor our directors or officers make any recommendation as to whether you should tender or refrain from tendering all or any portion of your existing notes in our exchange offer. Further, we have not authorized anyone to make any such recommendation. You must make your own decision whether to tender your existing notes in our exchange offer based on your own financial position and requirements, and, if so, the aggregate amount of your existing notes that you wish to tender, after reading this prospectus and the related letter of transmittal for our exchange offer, as well as consulting with your advisors, if any.

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Consequences of not Exchanging Existing Notes	If you do not exchange all of your existing notes in our exchange offer, any of our existing notes that you retain will be subordinate to our new notes following our exchange offer. Further, the liquidity and trading market for any of our existing notes that are not tendered in our exchange offer could be adversely affected if and to the extent that any of our existing notes are tendered and accepted for exchange in our exchange offer. Please read the section of this prospectus entitled The Exchange Offer Consequences of Exchanging or Failing to Exchange Existing Notes beginning on page 34 for more information.
Tax Consequences	You are urged to consult your tax advisors regarding the specific tax consequences to you of our exchange offer. Please read the section of this prospectus entitled United States Federal Income Tax Considerations beginning on page 70 for more information.
Insufficiency of Earnings to Cover Fixed Charges	Our earnings were insufficient to cover our fixed charges in the following amounts (in thousands): $23,026, $24,972, $41,481, $52,437 and $81,645 for fiscal years 1997, 1998, 1999, 2000 and 2001, respectively.

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Comparison of Our New Notes and Our Existing Notes

The following is a brief summary of the terms of our new notes and our existing notes. For a more complete description of our new notes, see the section of this prospectus entitled Description of New Notes beginning on page 35. For a more complete description of our existing notes, see the section of this prospectus entitled Description of Existing Notes beginning on page 50.

	New Notes	Existing Notes
Securities	$102,900,000 principal amount of 5.75% Convertible Senior Subordinated Notes due June 15, 2008.	$175,000,000 principal amount of 5.75% Subordinated Convertible Notes due June 15, 2008.
Issuer	Cell Therapeutics, Inc.	Cell Therapeutics, Inc.
Maturity	June 15, 2008	June 15, 2008
Interest	Interest is payable on our new notes at a rate of 5.75% per year, payable in cash semi-annually on June 15 and December 15 of each year.	Interest is payable on our existing notes at a rate of 5.75% per year, payable in cash semi-annually on June 15 and December 15 of each year.
Conversion:	You have the option to convert our new notes into shares of our common stock at a conversion rate of 100 shares of common stock per $1,000 principal amount of our new notes, which is equivalent to a conversion price of $10.00 per share. The conversion rate is subject to adjustment. You may convert our new notes at any time before the close of business on the maturity date, unless we have previously redeemed or repurchased our new notes; provided, however, that if a new note is called for redemption or repurchase, you will be entitled to convert the new note at any time before the close of business on the date immediately preceding the date fixed for redemption or repurchase, as the case may be.	You have the option to convert our existing notes into shares of our common stock at a conversion rate of 29.4118 shares of common stock per $1,000 principal amount of existing notes, which is equivalent to a conversion price of approximately $34.00 per share. The conversion rate is subject to adjustment. You may convert our existing notes at any time before the close of business on the maturity date, unless we have previously redeemed or repurchased our existing notes; provided, however, that if an existing note is called for redemption or repurchase, you will be entitled to convert the existing note at any time before the close of business on the date immediately preceding the date fixed for redemption or repurchase, as the case may be.
Ranking	Our new notes are senior to our existing notes, but subordinated to our present and future senior debt. As of September 30, 2002, we had approximately $4.7 million of senior debt outstanding. Our new notes are also effectively subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries. As of September 30, 2002, our subsidiaries had approximately $3.0 million of indebtedness and other liabilities outstanding to which our new notes would have been effectively subordinated if they had been outstanding at such time, approximately $1.2 million of which is included in the $4.7 million of senior debt described above. The indenture governing	Our existing notes are subordinated to our present and future senior debt and will be subordinated to our new notes. As of September 30, 2002, we had approximately $4.7 million of senior debt outstanding. Our existing notes are also effectively subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries. As of September 30, 2002, our subsidiaries had $3.0 million of indebtedness and other liabilities outstanding to which our existing notes were effectively subordinated, approximately $1.2 million of which is included in the $4.7 million of senior debt described above. The indenture governing our existing notes does not restrict our

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	our new notes does not restrict our incurrence of indebtedness, including senior debt, or our subsidiaries incurrence of indebtedness.	incurrence of indebtedness, including senior debt, or our subsidiaries incurrence of indebtedness.
Optional Redemption	Same as our existing notes. See Description of New Notes Optional Redemption by CTI.	We may redeem our existing notes, at our option, in whole or in part, on or after June 21, 2004, at the redemption prices listed in this prospectus in the section of this prospectus entitled Description of Existing Notes Optional Redemption by CTI plus accrued interest to, but excluding, the redemption date.
Provisional Redemption	Same as our existing notes, except that, upon any provisional redemption, we will make an additional payment in cash or, at our option, common stock, or in a combination of cash and common stock, with respect to the new notes called for redemption in an amount equal to $86.25 per $1,000 principal amount of the new notes, less the amount of any interest actually paid on the new notes before the date of redemption.	We may redeem our existing notes, in whole or in part, at any time before June 21, 2004, at a redemption price equal to $1,000 per $1,000 principal amount of the existing notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding, the date of redemption if: the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the provisional redemption notice; and the registration statement pursuant to which our existing notes and shares of common stock issuable upon conversion of the existing notes were registered is effective and available for use and is expected to remain effective and available for use for the 30 days following the provisional redemption date, unless registration is no longer required. Upon any provisional redemption, we will make an additional payment in cash or, at our option, common stock, or in a combination of cash and common stock, with respect to the existing notes called for redemption in an amount equal to $172.50 per $1,000 principal amount of the existing notes, less the amount of any interest actually paid on the existing notes before the date of redemption. Any such payment in common stock will be made assuming a valuation of our common stock as described above. We are obligated to make this additional payment on all existing notes called for provisional

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		redemption, including any existing notes converted after the notice date and before the provisional redemption date.
Optional Redemption	Same as our existing notes. See Description of New Notes Optional Redemption by CTI.	We may redeem our existing notes, at our option, in whole or in part, on or after June 21, 2004, at the redemption prices listed in this prospectus in the section of this prospectus entitled Description of Existing Notes Optional Redemption by CTI plus accrued interest to, but excluding, the redemption date.
Provisional Redemption	Same as our existing notes, except that, upon any provisional redemption, we will make an additional payment in cash or, at our option, common stock, or in a combination of cash and common stock, with respect to the new notes called for redemption in an amount equal to $86.25 per $1,000 principal amount of the new notes, less the amount of any interest actually paid on the new notes before the date of redemption.	We may redeem our existing notes, in whole or in part, at any time before June 21, 2004, at a redemption price equal to $1,000 per $1,000 principal amount of the existing notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding, the date of redemption if: the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the provisional redemption notice; and the registration statement pursuant to which our existing notes and shares of common stock issuable upon conversion of the existing notes were registered is effective and available for use and is expected to remain effective and available for use for the 30 days following the provisional redemption date, unless registration is no longer required. Upon any provisional redemption, we will make an additional payment in cash or, at our option, common stock, or in a combination of cash and common stock, with respect to the existing notes called for redemption in an amount equal to $172.50 per $1,000 principal amount of the existing notes, less the amount of any interest actually paid on the existing notes before the date of redemption. Any such payment in common stock will be made assuming a valuation of our common stock as described above. We are obligated to make this additional payment on all existing notes called for provisional redemption, including any existing notes

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		converted after the notice date and before the provisional redemption date.
Repurchase at Option of Holders Upon a Change in Control	Same as our existing notes.	Upon a change in control, you will have the right, subject to various conditions and restrictions, to require us to repurchase your existing notes, in whole or in part, at 100% of their principal amount, plus accrued interest to the repurchase date. The repurchase price is payable in cash or, at our option, in shares of common stock. However, we, or the successor entity in the change in control transaction, may pay the repurchase price in common stock only if the conditions provided in the indenture governing our existing notes are satisfied. If the repurchase price is paid in common stock, the common stock will be valued at 95% of the average of the high and low sales prices of the common stock for each of the five trading days ending with the third trading day prior to the repurchase date. A change in control could be an event of default under our senior debt. In those circumstances, the subordination provisions of the indenture under which the existing notes were issued would likely prevent us from repurchasing the existing notes until the senior debt is paid in full.

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Questions and Answers About Our Exchange Offer

Q: Why are you making your exchange offer?

A: We believe our exchange offer will strengthen our financial position, improve our capital structure and reduce our cash expenditure, without adversely affecting our product development programs, by:

eliminating up to $72.1 million principal amount of existing notes;

reducing our interest expense by up to $4.1 million per year and up to $22.7 million in the aggregate through June 2008; and

increasing the likelihood that current holders of our existing notes will elect to convert their new notes into shares of our common stock due to the lower conversion price per share.

Q: What is the potential dilution to common equity attributable to your new notes?

A: We have reserved up to 5,142,935 additional shares of our common stock for issuance upon conversion of our new notes. Previously, we reserved 5,147,065 shares of our common stock for issuance upon conversion of our existing notes. In May 2002, our board of directors authorized a stock repurchase program for up to three million shares of our common stock. Repurchases were made in the open market at the discretion of our management. Through November 15, 2002, approximately 2.6 million shares had been repurchased and retired for a total cost of $16.4 million.

Q: Is your exchange offer conditioned upon a minimum number of your existing notes being tendered in your exchange offer?

A: No.

Q: How soon must I act if I decide to tender my existing notes in your exchange offer?

A: Unless we extend the expiration date, our exchange offer will expire at 12:00 midnight, New York City time, on Tuesday, December 17, 2002. The exchange agent for our exchange offer must receive all required documents and instructions from you before that time or you will not be able to participate in our exchange offer.

Q: What happens if I do not tender my existing notes in your exchange offer?

A: You will keep your existing notes, but they will be subordinate to our new notes, so our new notes will be senior in right of payment and preference to your existing notes. In addition, if a significant number of our existing notes are tendered and accepted for exchange in our exchange offer, the liquidity and the trading market for our existing notes will likely be impaired.

Q: What should I do if I have additional questions about your exchange offer?

A: If you have any questions about our exchange offer, need additional copies of our exchange offer materials, or otherwise need assistance in connection with our exchange offer, please contact the information agent for our exchange offer at the address and telephone number listed below.

Innisfree M&A Incorporated
501 Madison Avenue
20th Floor
New York, New York 10022

Banks and brokers call collect: (212) 750-5833
All others call toll free: (888) 750-5834

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Special Note Regarding Forward Looking Statements

This prospectus, including the sections entitled Summary and Risk Factors, contains forward-looking information. This forward-looking information is subject to risks and uncertainties including the factors listed under Risk Factors, as well as elsewhere in this prospectus. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipates, bel estimates, predicts, potential or continue, or the negative of these terms or other comparable terminology. These statements are only predictions and may be inaccurate. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined under Risk Factors. These factors may cause our actual results to differ materially from any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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Risk Factors

You should carefully consider the risks described below before you decide whether to tender your existing notes in our exchange offer. The risks and uncertainties described below are not the only ones facing our company. 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.

If any of the following risks actually occur, they could materially adversely affect our business, financial condition, operating results or prospects. In that case, the trading price of our existing notes, our new notes and our common stock could decline.

Risks Related To CTI

We may continue to incur net losses, and we may never achieve profitability.

We were incorporated in 1991 and have incurred a net operating loss every year. As of September 30, 2002, we had an accumulated deficit of approximately $371 million. We may never become profitable, even if we are able to commercialize additional products. We will need to conduct significant research, development, testing and regulatory compliance activities that, together with projected selling, general and administrative expenses, may result in greater operating losses for at least the next several years. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

If we do not successfully develop additional products, we may be unable to generate additional revenue.

We have only one product, TRISENOX, for relapsed or refractory acute promyelocytic leukemia, or APL, that has received marketing approval to date. Our leading drug candidates, TRISENOX for other indications, XYOTAX and PG-CPT, are currently in clinical trials. These clinical trials of the drug candidates involve the testing of potential therapeutic agents, or effective treatments, in humans in three phases to determine the safety and efficacy of the drug candidates necessary for an approved drug. Many drugs in human clinical trials fail to demonstrate the desired safety and efficacy characteristics. Even if our drugs progress successfully through initial human testing, they may fail in later stages of development. A number of companies in the pharmaceutical industry, including us, have suffered significant setbacks in advanced clinical trials, even after reporting promising results in earlier trials. For example, in our first phase III human trial for lisofylline, completed in March 1998, we failed to meet our two primary endpoints, or goals, even though we met our endpoints in two earlier phase II trials for lisofylline. As a result, we are no longer developing lisofylline as a potential product. In addition, data obtained from clinical trials are susceptible to varying interpretations. Government regulators and our collaborators may not agree with our interpretation of our future clinical trial results. The clinical trials of TRISENOX, XYOTAX and PG-CPT or any of our future drug candidates may not be successful.

Many of our drug candidates are still in research and preclinical development, which means that they have not yet been tested on humans. We will need to commit significant time and resources to develop these and additional product candidates. We are dependent on the successful completion of clinical trials and obtaining regulatory approval in order to generate revenues. The failure to generate such revenues may preclude us from continuing our research and development of these and other product candidates.

Even if our drug candidates are successful in clinical trials, we may not be able to successfully commercialize them.

Since our inception in 1991, we have dedicated substantially all of our resources to the research and development of our technologies and related compounds. With the exception of TRISENOX for relapsed or refractory acute promyelocytic leukemia, or APL, all of our compounds currently are in research or development, and none has been submitted for marketing approval. Our other compounds may not enter human clinical trials on a timely basis, if at all, and we may not develop any product candidates suitable for commercialization.

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Prior to commercialization, each product candidate will require significant additional research, development and preclinical testing and extensive clinical investigation before submission of any regulatory application for marketing approval. Potential products that appear to be promising at early stages of development may not reach the market for a number of reasons. Potential products may:

be found ineffective or cause harmful side effects during preclinical testing or clinical trials;

fail to receive necessary regulatory approvals;

be difficult to manufacture on a large scale;

be uneconomical to produce;

fail to achieve market acceptance; or

be precluded from commercialization by proprietary rights of third parties.

Our product development efforts or our collaborative partners efforts may not be successfully completed and we may not obtain required regulatory approvals. Any products, if introduced, may not be successfully marketed nor achieve customer acceptance.

Because we based several of our drug candidates on unproven novel technologies, we may never develop them into commercial products.

We base many of our product candidates upon novel delivery technologies that we are using to discover and develop drugs for the treatment of cancer. These technologies have not been proven. Furthermore, preclinical results in animal studies may not predict outcome in human clinical trials. Our product candidates may not be proven safe or effective. If these technologies do not work, our drug candidates may not develop into commercial products.

We may not complete our clinical trials in the time expected, which could delay or prevent the commercialization of our products.

Although for planning purposes we forecast the commencement and completion of clinical trials, the actual timing of these events can vary dramatically due to factors such as delays, scheduling conflicts with participating clinicians and clinical institutions and the rate of patient enrollment. Clinical trials involving our product candidates may not commence nor be completed as forecasted. We have limited experience in conducting clinical trials. In certain circumstances we rely on academic institutions or clinical research organizations to conduct, supervise or monitor some or all aspects of clinical trials involving our products. In addition, certain clinical trials for our products will be conducted by government-sponsored agencies and consequently will be dependent on governmental participation and funding. We will have less control over the timing and other aspects of these clinical trials than if we conducted them entirely on our own. These trials may not commence or be completed as we expect. They may not be conducted successfully. Failure to commence or complete, or delays in, any of our planned clinical trials could delay or prevent the commercialization of our products and harm our business.

If we fail to adequately protect our intellectual property, our competitive position could be harmed.

Development and protection of our intellectual property are critical to our business. If we do not adequately protect our intellectual property, competitors may be able to practice our technologies. Our success depends in part on our ability to:

obtain patent protection for our products or processes both in the United States and other countries;

protect trade secrets; and

prevent others from infringing on our proprietary rights.

In particular we believe that linking our polymers to existing drugs may yield patentable subject matter.

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We do not believe that our polymer-drug conjugates will infringe any third-party patents covering the underlying drug. However, we may not receive a patent for our polymer conjugates and we may be challenged by the holder of a patent covering the underlying drug.

The patent position of biopharmaceutical firms generally is highly uncertain and involves complex legal and factual questions. The U.S. Patent and Trademark Office has not established a consistent policy regarding the breadth of claims that it will allow in biotech patents. If it allows broad claims, the number and cost of patent interference proceedings in the U.S. and the risk of infringement litigation may increase. If it allows narrow claims, the risk of infringement may decrease, but the value of our rights under our patents, licenses and patent applications may also decrease.

Patent applications in which we have rights may never issue as patents and the claims of any issued patents may not afford meaningful protection for our technologies or products. In addition, patents issued to us or our licensors may be challenged and subsequently narrowed, invalidated or circumvented. Litigation, interference proceedings or other governmental proceedings that we may become involved in with respect to our proprietary technologies or the proprietary technology of others could result in substantial cost to us. Patent litigation is widespread in the biotechnology industry, and any patent litigation could harm our business. Costly litigation might be necessary to protect our orphan drug designations or patent position or to determine the scope and validity of third party proprietary rights, and we may not have the required resources to pursue such litigation or to protect our patent rights. An adverse outcome in litigation with respect to the validity of any of our patents could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties or require us to cease using a product or technology.

We also rely upon trade secrets, proprietary know-how and continuing technological innovation to remain competitive. Third parties may independently develop such know-how or otherwise obtain access to our technology. While we require our employees, consultants and corporate partners with access to proprietary information to enter into confidentiality agreements, these agreements may not be honored.

If any of our license agreements for intellectual property underlying TRISENOX, XYOTAX or any other products are terminated, we may lose our rights to develop or market that product.

Patents issued to third parties may cover our products as ultimately developed. We may need to acquire licenses to these patents or challenge the validity of these patents. We may not be able to license any patent rights on acceptable terms or successfully challenge such patents. The need to do so will depend on the scope and validity of these patents and ultimately on the final design or formulation of the products and services that we develop.

We have licensed intellectual property, including patent applications from Memorial Sloan-Kettering Cancer Center, Samuel Waxman Cancer Research Foundation, Beijing Medical University and others, including the intellectual property underlying TRISENOX. We have also in-licensed the intellectual property relating to our polymer drug delivery technology, including XYOTAX. Some of our product development programs depend on our ability to maintain rights under these licenses. Each licensor has the power to terminate its agreement with us if we fail to meet our obligations under that license. We may not be able to meet our obligations under these licenses. If we default under any of these license agreements, we may lose our right to market and sell any products based on the licensed technology.

Our products could infringe on the intellectual property rights of others, which may cause us to engage in costly litigation and, if we are not successful, could cause us to pay substantial damages and prohibit us from selling our products.

Although we attempt to monitor the patent filings of our competitors in an effort to guide the design and development of our products to avoid infringement, third parties may challenge the patents that have been issued or licensed to us. We may have to pay substantial damages, possibly including treble damages, for past infringement if it is ultimately determined that our products infringe a third party s patents. Further, we may be prohibited from selling our products before we obtain a license, which, if

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available at all, may require us to pay substantial royalties. Even if infringement claims against us are without merit, defending a lawsuit takes significant time, may be expensive and may divert management attention from other business concerns.

Our limited operating experience may cause us difficulty in managing our growth and could seriously harm our business.

As a result of additional trials for TRISENOX for indications other than relapsed or refractory APL and clinical trials currently underway for XYOTAX and our other products in development, we will need to expand our operations in various areas, including our management, regulatory, clinical, financial and information systems and other elements of our business process infrastructure. We expect to add additional key personnel in these areas in the future. In addition, if rapid growth occurs, it may strain our operational, managerial and financial resources. We will not be able to increase revenues or control costs unless we continue to improve our operational, financial, regulatory and managerial systems and processes, and expand, train and manage our work force.

If we fail to keep pace with rapid technological change in the biotechnology and pharmaceutical industries, our products could become obsolete.

Biotechnology and related pharmaceutical technology have undergone and are subject to rapid and significant change. We expect that the technologies associated with biotechnology research and development will continue to develop rapidly. Our future will depend in large part on our ability to maintain a competitive position with respect to these technologies. Any compounds, products or processes that we develop may become obsolete before we recover any expenses incurred in connection with developing these products.

We face direct and intense competition from our rivals in the biotechnology and pharmaceutical industries and we may not compete successfully against them.

The biotechnology and pharmaceutical industries are intensely competitive. We have numerous competitors in the United States and elsewhere. Our competitors include major, multinational pharmaceutical and chemical companies, specialized biotechnology firms and universities and other research institutions. Many of these competitors have greater financial and other resources, larger research and development staffs and more effective marketing and manufacturing organizations, than we do. In addition, academic and government institutions have become increasingly aware of the commercial value of their research findings. These institutions are now more likely to enter into exclusive licensing agreements with commercial enterprises, including our competitors, to market commercial products.

Our competitors may succeed in developing or licensing technologies and drugs that are more effective or less costly than any we are developing. Our competitors may succeed in obtaining FDA or other regulatory approvals for drug candidates before we do. In particular, we face direct competition from many companies focusing on delivery technologies. Drugs resulting from our research and development efforts, if approved for sale, may not compete successfully with our competitors existing products or products under development.

We may need to raise additional funds in the future, and they may not be available on acceptable terms, or at all.

We expect that our existing capital resources and the interest earned thereon will enable us to maintain our current and planned operations through at least mid 2004. Beyond that time, if our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds to continue the development of our technologies and complete the commercialization of products, if any, resulting from our technologies. We will require substantial funds to: (1) continue our research and development programs, (2) in-license or acquire additional technologies, (3) conduct preclinical studies and clinical trials and (4) pay interest and principal on our convertible debt maturing in 2008. We may need to raise additional capital to fund our operations repeatedly. We may raise such capital through public or private equity financings, partnerships, debt financings, bank borrowings, or other sources. Our

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capital requirements will depend upon numerous factors, including the following:

- the establishment of additional collaborations;
- the development of competing technologies or products;
- changing market conditions;
- the cost of protecting our intellectual property rights;
- the purchase of capital equipment;
- the progress of our drug discovery and development programs, the progress of our collaborations and receipt of any option/license, milestone and royalty payment resulting from those collaborations; and
- in-licensing and acquisition opportunities.

Additional funding may not be available on favorable terms or at all. If adequate funds are not otherwise available, we may curtail operations significantly. To obtain additional funding, we may need to enter into arrangements that require us to relinquish rights to certain technologies, drug candidates, products and/or potential markets. To the extent that additional capital is raised through the sale of equity, or securities convertible into equity, you may experience dilution of your proportionate ownership of the company.

Our stock price is extremely volatile, which may affect our ability to raise capital in the future.

The market price for securities of biopharmaceutical and biotechnology companies, including our common stock, 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 twelve months ended September 30, 2002, our stock price has ranged from a low of $2.70 to a high of $34.01. Fluctuations in the trading price or liquidity of our common stock may adversely affect our ability to raise capital through future equity financings.

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

- announcements of technological innovations or new commercial therapeutic products by us, our collaborative partners or our present or potential competitors;
- our quarterly operating results;
- announcements by us or others of results of preclinical testing and clinical trials;
- developments or disputes concerning patent or other proprietary rights;
- developments in our relationships with collaborative partners;
- acquisitions;
- litigation;
- adverse legislation, including changes in governmental regulation and the status of our regulatory approvals or applications;
- third-party reimbursement policies;
- changes in securities analysts recommendations;
- changes in health care policies and practices;
- 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. If a securities class action suit is filed against us, we would incur substantial legal fees and our management s attention and resources would be diverted from operating our business in order to respond to the litigation.

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We may be unable to attain the raw materials necessary to produce our XYOTAX product candidate in sufficient quantity to meet demand when and if such product is approved.

Paclitaxel is derived from certain varieties of yew trees. Supply of yew trees is tightly controlled by a limited number of companies. We cannot be sure that we will be able to continue to purchase the materials necessary to produce XYOTAX in adequate volume and quality. We purchase the majority of the paclitaxel we need from a single vendor. Should the paclitaxel purchased from this source prove to be insufficient in quantity or quality, or should this relationship terminate, there can be no assurance that we will be able to enter into a similar agreement with an alternate source.

Our dependence on third party manufacturers means that we may not have sufficient control over the manufacture of our products.

We currently do not have internal facilities for the manufacture of any of our products for clinical evaluation or commercial production. In addition, TRISENOX, our first commercial product, is currently manufactured by a single vendor. We will need to develop additional manufacturing resources, enter into collaborative arrangements with other parties that have established manufacturing capabilities or elect to have other third parties manufacture our products on a contract basis. We are dependent on such collaborators or third parties to supply us in a timely way with products manufactured in compliance with standards imposed by the FDA and foreign regulatory authorities. The manufacturing facilities of contract manufacturers may not comply with applicable manufacturing regulations of the FDA nor meet our requirements for quality, quantity or timeliness. Another of our products under development, XYOTAX, is complex to manufacture, which may prevent us from obtaining a sufficient supply for the increased clinical trials that are currently planned or underway.

We may face difficulties in achieving acceptance of our products in the market if we do not continue to expand our sales and marketing infrastructure.

We currently are marketing TRISENOX with our direct sales force. Because the oncology market is highly concentrated and many prospective clients are unfamiliar with TRISENOX, we have expanded our sales and marketing infrastructure in order to increase market awareness of this product. In addition, if we market and sell products other than TRISENOX, we would need to further expand our marketing and sales force with sufficient technical expertise and distribution capacity. Competition for these individuals is intense, and we may not be able to hire the experience required and number of sales personnel we need. If we are unable to continue to expand our direct sales operations and train new sales personnel as rapidly as necessary, we may not be able to increase market awareness and sales of our products, which may prevent us from growing our revenues and achieving and maintaining profitability.

If we lose our key personnel or are unable to attract and retain additional personnel, we may be unable to pursue collaborations or develop our own products.

We are highly dependent on Dr. James A. Bianco, our Chief Executive Officer, and Dr. Jack Singer, our Executive Vice President, Research Program Chairman. The loss of these principal members of our scientific or management staff, or failure to attract or retain other key scientific personnel employees, could prevent us from pursuing collaborations or developing our products and core technologies. Recruiting and retaining qualified scientific personnel to perform research and development work are critical to our success. There is intense competition for qualified scientists and managerial personnel from numerous pharmaceutical and biotechnology companies, as well as from academic and government organizations, research institutions and other entities. In addition, we rely on consultants and advisors, including our scientific and clinical advisors, to assist us in formulating our research and development strategy. All of our consultants and advisors are employed by other employers or are self-employed, and have commitments to or consulting or advisory contracts with other entities that may limit their availability to us.

We are subject to extensive government regulation, including the requirement of approval before our products may be marketed.

The FDA has approved only one of our products, TRISENOX, for sale in the United States, for

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relapsed or refractory APL. Additionally, the European Commission, or EC, has approved the sale of TRISENOX in Europe for the same indication. Before we can market TRISENOX for other indications, we must obtain FDA and EC approval. Our other products are in development, and will have to be approved by the FDA and EC before they can be marketed in the United States and Europe. If the FDA or EC do not approve our products and any additional indications for marketed products in a timely fashion, or do not approve them at all, our business and financial condition may be adversely affected.

In addition, we and our products are subject to comprehensive regulation by the FDA and EC both before and after products are approved for marketing. The FDA and EC regulates, for example, research and development, including preclinical and clinical testing, safety, effectiveness, manufacturing, labeling, advertising, promotion, export, and marketing of our products. Our failure to comply with regulatory requirements may result in various adverse consequences including FDA and EC delay in approving or refusal to approve a product, recalls, withdrawal of an approved product from the market, and/or the imposition of civil or criminal sanctions.

Because there is a risk of product liability associated with our products, we face potential difficulties in obtaining insurance.

Our business exposes us to potential product liability risks inherent in the testing, manufacturing and marketing of human pharmaceutical products, and we may not be able to avoid significant product liability exposure. While we have insurance covering product use in our clinical trials, and currently have product liability insurance for TRISENOX, it is possible that we will not be able to maintain such insurance on acceptable terms or that any insurance obtained will provide adequate coverage against potential liabilities. Our inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or limit the commercialization of any products we develop. A successful product liability claim in excess of our insurance coverage could exceed our net worth.

Uncertainty regarding third party reimbursement and health care cost containment initiatives may limit our returns.

The ongoing efforts of governmental and third party payors to contain or reduce the cost of health care will affect our ability to commercialize our products successfully. Governmental and other third party payors are increasingly attempting to contain health care costs by:

- challenging the prices charged for health care products and services;
- limiting both coverage and the amount of reimbursement for new therapeutic products;
- denying or limiting coverage for products that are approved by the FDA but are considered experimental or investigational by third-party payors; and
- refusing in some cases to provide coverage when an approved product is used for disease indications in a way that has not received FDA marketing approval.

In addition, the trend toward managed health care in the United States, the growth of organizations such as health maintenance organizations, and legislative proposals to reform healthcare and government insurance programs could significantly influence the purchase of healthcare services and products, resulting in lower prices and reducing demand for our products.

Even if we succeed in bringing any of our proposed products to the market, they may not be considered cost-effective and third party reimbursement might not be available or sufficient. If adequate third party coverage is not available, we may not be able to maintain price levels sufficient to realize an appropriate return on our investment in research and product development. In addition, legislation and regulations affecting the pricing of pharmaceuticals may change in ways adverse to us before or after any of our proposed products are approved for marketing. While we cannot predict whether any such legislative or regulatory proposals will be adopted, the adoption of such proposals could make it difficult or impossible to sell our products. TRISENOX has been reimbursed by third party payors, but there is no guarantee this reimbursement will continue.

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Since we use hazardous materials in our business, we may be subject to claims relating to improper handling, storage or disposal of these materials.

Our research and development activities involve the controlled use of hazardous materials, chemicals and various radioactive compounds. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be eliminated completely. In the event of such an accident, we could be held liable for any damages that result and any such liability not covered by insurance could exceed our resources. Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair our research, development or production efforts.

We may not be able to conduct animal testing in the future which could harm our research and development activities.

Certain of our research and development activities involve animal testing. Such activities have been the subject of controversy and adverse publicity. Animal rights groups and other organizations and individuals have attempted to stop animal testing activities by pressing for legislation and regulation in these areas. To the extent the activities of these groups are successful, our business could be materially harmed by delaying or interrupting our research and development activities.

Because our charter documents contain certain anti-takeover provisions and we have a rights plan, it may be more difficult for a third party to acquire us, and the rights of some shareholders could be adversely affected.

Our Restated Articles of Incorporation and Bylaws contain provisions that may make it more difficult for a third party to acquire or make a bid for us. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. In addition, shares of our preferred stock may be issued in the future without further shareholder approval and upon such terms and conditions and having such rights, privileges and preferences, as the board of directors may determine. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of any holders of preferred stock that may be issued in the future. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of our outstanding voting stock. We have no present plans to issue any additional shares of preferred stock. In addition, we have adopted a shareholder rights plan that, along with certain provisions of our Restated Articles of Incorporation, may have the effect of discouraging certain transactions involving a change of control of the company.

Risks Related To Our New Notes

Our new notes will be subordinated to our other existing and any future senior debt, but senior in payment to our existing notes.

Our new notes will be unsecured and subordinated in right of payment to all of our existing and future senior debt. As of September 30, 2002 we had $4.7 million of senior debt outstanding. Our new notes will be senior in right of payment to our existing notes. As a result of such subordination, in the event of our bankruptcy, liquidation or reorganization, or upon acceleration of our new notes due to an event of default and in specific other events, our assets will be available to pay obligations on our new notes only after all senior debt has been paid in full. There may not be sufficient assets remaining to pay amounts due on any of our new notes that are then outstanding. Our new notes also will be effectively subordinated to all indebtedness and other liabilities, including trade payables and lease obligations, of our subsidiaries. As of September 30, 2002, our subsidiaries had approximately $3.0 million of indebtedness and other liabilities outstanding to which our new notes would have been effectively subordinated if they had been outstanding at that time, approximately $1.2 million of which is included in the $4.7 million of senior debt described above. The indenture governing our new notes will not prohibit or limit the incurrence of senior debt or the incurrence of other debt and other liabilities by us or our subsidiaries. The incurrence of additional senior debt and other liabilities by us or our subsidiaries could impede our ability to pay obligations on our new notes.

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We anticipate that from time to time we will incur additional debt, including senior indebtedness. See Description of New Notes Subordination.

We may be unable to repurchase our new notes.

At maturity, the entire outstanding principal amount of our new notes will become due and payable. In addition, if we experience a change in control, each holder of our new notes may require us to repurchase all or a portion of that holder s new notes. At maturity or if we experience a change in control, we may not have sufficient funds or may be unable to arrange for additional financing to pay the principal amount or repurchase price due on our new notes then outstanding. Our borrowing arrangements or agreements relating to senior debt to which we become a party may contain restrictions on, or prohibitions against, our repurchases of our new notes. If the maturity date or change in control occurs at a time when our other arrangements prohibit us from repurchasing our new notes, we could try to obtain the consent of the lenders under those arrangements to purchase our new notes, or we could attempt to refinance the borrowings that contain the restrictions. If we do not obtain the necessary consents or refinance these borrowings, we will be unable to repurchase our new notes. In that case, our failure to repurchase any tendered new notes or notes due upon maturity would constitute an event of default under the indenture governing our new notes. Any such default, in turn, may cause a default under the terms of our senior debt. As a result, in those circumstances, the subordination provisions of the indenture governing our new notes would, absent a waiver, prohibit any repurchase of our new notes until we pay the senior debt in full.

We may be unable to generate sufficient cash flow from which to make payments on our new notes.

We expect to incur substantial net operating losses for the foreseeable future. We may not become profitable or sustain profitability in the future. Accordingly, we may not have sufficient funds to make payments on our new notes. Therefore, we may not have sufficient assets remaining to pay amounts due on any or all of our new notes.

There is no public market for our new notes and restrictions on transfer of our new notes and the common stock issuable upon conversion of our new notes may significantly impair the liquidity of our new notes.

While our new notes will be eligible for trading in the PORTAL market, there is no public market for our new notes. Accordingly, we cannot assure you as to:

the liquidity of any such market that may develop;

your ability to sell our new notes; or

the price at which you would be able to sell our new notes.

If such a market were to exist, our new notes could trade at prices that may be higher or lower than the principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes, and our financial performance. Purchasers of our new notes are not obligated to make a market in our new notes, and any such market-making activities that occur could be discontinued at any time. In addition, any market-making activities will be subject to the limits imposed by the Securities Act of 1933 and the Securities Exchange Act of 1934. Accordingly, no assurance can be given as to the development or liquidity of any market for our new notes. We do not presently intend to apply for the listing of our new notes on any securities exchange or for inclusion of our new notes in the automated quotation system of the National Association of Securities Dealers, Inc.

The new notes may not be rated or may receive a lower rating than anticipated.

We believe it is unlikely that the new notes will be rated. However, if one or more rating agencies rate the new notes and assign the new notes a rating lower than the rating expected by investors, or reduce the rating of the new notes in the future, the market price of the new notes and our common stock may be adversely affected.

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We expect the trading price of our new notes and the underlying common stock to be highly volatile, which could adversely affect the market price of our new notes and the underlying common stock.

Since our common stock has been publicly traded, its market price has fluctuated significantly and may continue to do so in the future. Significant fluctuations in the market price of our new notes and our common stock underlying our new notes may occur in response to various factors and events, including, among other things:

- the depth and liquidity of the trading market for our new notes or our common stock;
- quarterly variations in our actual or anticipated operating results;
- changes in estimates of our financial results and prospects by securities analysts;
- market conditions in the drug industry;
- announcements and performance by our competitors;
- regulatory actions; and
- general economic conditions.

In addition, stock markets have experienced extreme price volatility in recent years. In the past, our common stock has experienced volatility not necessarily related to announcements of our financial performance. Broad market fluctuations may also adversely affect the market price of our new notes and underlying common stock.

In the event that we experience a change in control after the expiration date of our exchange offer, holders of our new notes will receive substantially less than holders of our existing notes to the extent that a holder elects to exercise his or her repurchase right.

In the event that we experience a change in control prior to the expiration date of our exchange offer, holders of our existing notes would have the right to receive, to the extent they elected to exercise their repurchase right, $175,000,000 in aggregate principal amount as a result of such a change in control. In the event that we experience a change in control after the expiration date of our exchange offer and 100% of the holders of our existing notes tendered into our exchange offer, holders of our new notes would have the right to receive, to the extent they elected to exercise their repurchase right, $102,900,000 in aggregate principal amount as a result of such a change in control.

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Price Range of Common Stock

Our common stock is traded on the Nasdaq National Market under the symbol CTIC. The following table sets forth, for the periods indicated, the high and low reported sales prices per share of our common stock as reported on the Nasdaq National Market.

	High	Low
Fiscal year ended December 31, 2000		
First Quarter	$ 52.00	$ 5.31
Second Quarter	33.50	10.50
Third Quarter	68.25	26.38
Fourth Quarter	77.25	30.50
Fiscal year ended December 31, 2001		
First Quarter	$ 49.00	$ 12.50
Second Quarter	34.81	14.50
Third Quarter	32.63	20.18
Fourth Quarter	34.70	22.50
Fiscal year ended December 31, 2002		
First Quarter	$ 27.45	$ 19.31
Second Quarter	25.50	4.57
Third Quarter	5.89	2.68
Fourth Quarter (through December 13, 2002)	9.85	3.85

On December 13, 2002, the last reported sale price of our common stock was $7.57 per share. As of December 13, 2002, there were approximately 276 holders of record of our common stock.

Our new notes will not be listed on any national securities exchange or included in any automated quotation system, but they will be eligible for trading in the PORTAL market of the National Association of Securities Dealers, Inc.

Dividend Policy

We have not declared or paid any cash dividends on our capital stock since inception. We currently intend to retain all of our cash and any future earnings to finance the growth and development of our business and therefore do not expect to pay cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our board of directors deems relevant.

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Capitalization

The following table sets forth the consolidated unaudited capitalization of Cell Therapeutics:

at September 30, 2002;

as adjusted to give effect to the issuance of the new notes in the exchange offer on the assumption that $175.0 million principal amount of the existing notes are validly tendered and accepted for exchange;

as adjusted to reflect a net gain of $66.4 million on the assumed early extinguishment of all of the existing notes. This net gain is based on the estimated fair value of the new notes of $102.9 million which is par value and our current debt issue costs of $5.7 million. If the new notes are issued at an original issue discount or premium, the net gain and carrying value of the debt will be adjusted by the amount of the discount or premium. This extinguishment of debt will result in the recognition of a gain in our statement of operations in the period in which the exchange offer is consummated.

To the extent that existing notes are not validly tendered or accepted in the exchange offer, the amount attributed to the new notes would decrease and the amount attributed to the existing notes would increase and the accumulated deficit would increase. The financial data at September 30, 2002 in the following table are derived from our unaudited financial statements.

	September 30, 2002	
	Actual	As Adjusted (2)
	(dollars in thousands)	
Long-term debt, less current portion:		
5.75% Convertible Senior Subordinated Notes due 2008 (new notes)	$	$ 102,900
5.75% Convertible Subordinated Notes due 2008 (existing notes)	175,000	
Other long-term debt	3,046	3,046
Total long-term debt	178,046	105,946
Shareholders equity:		
Preferred Stock, no par value:		
Authorized shares 10,000,000		
Series C, 100,000 shares designated, none issued or outstanding		
Series D, 10,000 shares designated, none issued or outstanding		
Common Stock, no par value:		
Authorized shares 100,000,000		
Issued and outstanding shares 32,691,222 (1)	384,044	384,044
Notes receivable from officers	(225)	(225)
Accumulated other comprehensive loss	(1,043)	(1,043)
Accumulated deficit	(370,992)	(304,596)
Total shareholders equity	11,784	78,180
Total capitalization	$ 189,830	$ 184,126

(1) Excludes (a) 5,460,295 shares issuable upon exercise of options outstanding as of September 30, 2002, (b) 1,219,026 additional shares authorized for issuance under our stock option plan as of September 30, 2002, (c) 235,938 shares authorized for issuance under our employee stock purchase plan as of September 30, 2002, (d) 5,147,065 shares issuable upon conversion of the existing notes, and (e) an additional 5,142,935 (amounting to an aggregate of 10,290,000) shares issuable upon conversion of the new notes being offered by this prospectus.

(2) Excludes the impact of cash payments for any fractional portion of existing notes that are not exchanged for new notes in denominations of $1,000 principal amount and integral multiples thereof.

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Selected Consolidated Financial Data

The selected consolidated operating data for the fiscal years ended December 31, 2001, 2000 and 1999 and the consolidated balance sheet data as of December 31, 2001 and 2000 are derived from our audited consolidated financial statements audited by Ernst & Young LLP, independent auditors, which are incorporated by reference in this prospectus. Please refer to the complete consolidated financial statements and related existing notes for more information. The selected consolidated operating data for the fiscal years ended December 31, 1998 and 1997 and the selected balance sheet data as of December 31, 1999, 1998 and 1997 have been derived from our consolidated financial statements audited by Ernst & Young LLP that are not included or incorporated by reference in this prospectus. The selected consolidated operating data for the nine months ended September 30, 2002 and September 30, 2001 and the consolidated balance sheet data as of September 30, 2002 are derived from our unaudited consolidated financial statements, and includes, in the opinion of management, all adjustments, including normal recurring adjustments, necessary to present fairly the results of operations and financial position for the periods presented. These results are not necessarily indicative of the results that may be expected for future periods.

	Years Ended December 31,					Nine Months Ended September 30,	
	1997	1998	1999	2000	2001	2001	2002
	(in thousands, except per share amounts)					(in thousands, except per share amounts)	
Operating Data:							
Revenues:							
Product sales	$	$	$	$ 502	$ 6,130	$ 3,819	$ 7,364
Collaboration agreements	11,831	13,200					
License and contract revenue					106		1,576
Total revenues	11,831	13,200		502	6,236	3,819	8,940
Operating expenses:							
Cost of product sold				19	394	292	389
Research and development	27,285	29,942	27,682	26,574	44,669	26,182	44,063
Selling, general and administrative	10,090	10,889	9,788	20,421	35,268	23,010	35,410
Amortization of purchased intangibles				9,390	9,390	7,042	5,026
Total operating expenses	37,375	40,831	37,470	56,404	89,721	56,526	84,888
Loss from operations	(25,544)	(27,631)	(37,470)	(55,902)	(83,485)	(52,707)	(75,948)
Other income (expense):							
Investment income	2,895	3,094	1,692	4,517	9,200	7,044	4,026
Interest expense	(377)	(435)	(502)	(544)	(5,988)	(3,123)	(8,518)
Net loss	(23,026)	(24,972)	(36,280)	(51,929)	(80,273)	(48,786)	(80,440)
Preferred stock dividend			(5,201)	(508)	(1,372)	(372)	
Net loss applicable to common shareholders	$ (23,026)	$ (24,972)	$ (41,481)	$ (52,437)	$ (81,645)	$ (49,158)	$ (80,440)
Basic and diluted net loss per common share	$ (1.98)	$ (1.62)	$ (2.67)	$ (2.07)	$ (2.41)	$ (1.46)	$ (2.36)
Shares used in computation of basic and diluted net loss per common share	11,634	15,410	15,552	25,345	33,822	33,696	34,099
Ratio of earnings to fixed charges (1)							

(1) Computed by dividing earnings by fixed charges. For the purposes of computing the ratio of earnings to fixed charges, earnings consist of 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. For the years ended December 31, 1997, 1998, 1999, 2000 and 2001, earnings from continuing operations were not sufficient to cover fixed charges by $ 23,026, $24,972, $41,481, $52,437, and $81,645, respectively. For the nine months ended September 30, 2001 and 2002, earnings

from continuing operations were not sufficient to cover fixed charges by $49,158 and $80,440, respectively.

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	At December 31,					At September 30, 2002
	1997	1998	1999	2000	2001	
	(in thousands, except per share data)					
Balance Sheet Data:						
Cash, cash equivalents, securities available-for-sale and interest receivable	$ 70,444	$ 47,072	$ 24,248	$ 156,434	$ 259,421	$ 171,068
Current assets	74,229	51,247	24,996	157,492	265,443	176,776
Noncurrent assets	6,204	6,909	5,852	32,619	38,307	36,354
Total assets	80,433	58,156	30,848	190,111	303,750	213,130
Current liabilities	6,535	7,104	7,291	11,108	15,301	21,327
Working capital	67,594	44,143	17,705	146,384	250,142	155,449
Convertible subordinated notes					175,000	175,000
Other long-term obligations, less current portion	2,039	3,888	2,653	1,060	3,892	5,019
Total long-term obligations, less current portion	2,039	3,888	2,653	1,060	178,892	180,019
Accumulated deficit	(97,098)	(122,070)	(158,350)	(210,279)	(290,552)	(370,992)
Total shareholders equity	71,760	47,165	20,904	177,943	109,557	11,784
Book value per share	4.67	3.04	1.34	5.30	3.13	0.36
Pro forma book value per share						2.39

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The Exchange Offer

Terms of the Exchange Offer

This prospectus and the related letter of transmittal for the exchange offer set forth the terms and conditions of the exchange offer.

We are making this exchange offer because we believe the exchange offer will strengthen our financial position, improve our capital structure and reduce our cash expenditure, without adversely affecting our product development programs, by:

- eliminating up to $72.1 million principal amount of existing notes;
- reducing our interest expense by up to $4.1 million per year and up to $22.7 million in the aggregate through June 2008; and
- increasing the likelihood that current holders of existing notes will elect to convert their new notes into shares of our common stock, due to the lower conversion rate.

Under the exchange offer, we are offering to exchange $588 principal amount of the new notes for each $1,000 principal amount of any existing notes that are validly tendered on the terms and subject to the conditions set forth in this prospectus and in the related letter of transmittal for the exchange offer. As of the date of this prospectus, $175,000,000 aggregate principal amount of the existing notes are outstanding. At the time the new notes are issued on the closing date of the exchange offer, we will pay to holders of existing notes tendered in the exchange offer all interest that is due and payable on such existing notes to, but excluding, the closing date for the exchange offer. Interest on the new notes will begin to accrue as of the closing date of the exchange offer.

You may tender all, some or none of your existing notes.

Holders must tender existing notes in a principal amount of $1,000 or integral multiples of $1,000. The new notes will be issued in denominations of $1,000 principal amount or integral multiples thereof. We will pay cash for any fractional portion of any new note that is less than $1,000 principal amount as a result of the exchange offer. We will pay accrued and unpaid interest on the existing notes tendered in the exchange offer in cash.

The exchange offer is not being made to, and we will not accept tenders of existing notes from, holders of existing notes in any jurisdiction in which the exchange offer, or the acceptance of the exchange offer, would not be in compliance with the securities or blue sky laws of that jurisdiction.

Our board of directors and officers do not make any recommendation to the holders of existing notes as to whether or not to tender all or any portion of their existing notes in the exchange offer. In addition, we have not authorized anyone to make any recommendation. You must make your own decision whether to tender your existing notes in the exchange offer and, if so, the amount of your existing notes to tender.

Expiration Date

The expiration date for the exchange offer is 12:00 midnight, New York City time, on Tuesday, December 17, 2002, unless we extend the exchange offer. We may, at any time and from time to time, extend the expiration date for the exchange offer for any reason, subject to applicable law. The last date on which tenders of existing notes will be accepted, whether on Tuesday, December 17, 2002 or any later date to which the exchange offer may be extended, is referred to in this prospectus as the expiration date. Subject to the conditions described below, and assuming that we have not previously elected to amend the exchange offer in any respect, we will accept for exchange all existing notes that are properly tendered on or prior to the expiration of the exchange offer and not withdrawn in the manner described below. See the section of this prospectus entitled Exchange Offer Conditions for Completion of the Exchange Offer. The form and terms of the new notes are described in the section of this prospectus entitled Description of New Notes.

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Extensions; Amendments; Termination

If any condition to the exchange offer is not satisfied, in our reasonable judgment, prior to the expiration of the exchange offer, we expressly reserve the right to:

extend the time period during which the exchange offer is open, by giving oral or written notice of an extension to the holders of existing notes in the manner described below;

amend the terms of the exchange offer, other than the condition that the registration statement be effective under the Securities Act of 1933; or

terminate the exchange offer.

If we consider an amendment to the exchange offer to be material, or if we waive a material condition of the exchange offer, we will promptly disclose the amendment in a prospectus supplement, and if required by law, we will extend the exchange offer for a period of five to ten business days.

We will give oral or written notice of any (1) extension, (2) amendment, (3) non-acceptance or (4) termination to the holders of the existing notes as promptly as practicable. In the case of any extension, we will issue a press release or other public announcement no later than 9:00 a.m., Eastern time, on the next business day after the previously scheduled expiration date.

Procedures for Tendering Existing Notes

Your tender to us of existing notes and our acceptance of your tender will constitute a binding agreement between you and us upon the terms and subject to the conditions set forth in this prospectus and in the related letter of transmittal for the exchange offer. By signing the letter of transmittal or delivering an agent s message pursuant to DTC s Automated Tender Offer Program (commonly known as ATOP) procedures, as described below, you will be deemed to have made the representations and warranties contained in the letter of transmittal for the exchange offer in connection with your decision to tender existing notes in the exchange offer.

All of the existing notes are evidenced by one or more global notes that have been deposited with the trustee for the existing notes as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. Therefore, to validly tender existing notes in the exchange offer, you must comply with the procedures described below. See Description of Existing Notes Form, Denomination, Transfer, Exchange and Book-Entry Procedures.

Tender of Existing Notes Held Through a Custodian

If you are a beneficial holder of existing notes that are held of record by a custodian bank, depository institution, broker, dealer, trust company or other nominee and you wish to tender your existing notes in the exchange offer, you must contact such registered holder promptly and instruct the custodian to tender your existing notes on your behalf. Your custodian will provide you with their instruction letter, which you must use to give these instructions. If you are a beneficial owner of existing notes that are held of record by DTC or its nominee, through authority granted by DTC, you must direct the DTC participant through which your existing notes are held in the DTC to tender your existing notes on your behalf in accordance with the procedures described below.

Tender of Existing Notes Held Through DTC

To effectively tender existing notes that are held through DTC, DTC participants should electronically transmit their acceptance through ATOP, for which the transaction will be eligible, and DTC will then credit the exchange agent s account and verify the acceptance and send an agent s message to the exchange agent for its acceptance.

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Delivery of existing notes that are tendered in the exchange offer must be made to the exchange agent for the exchange offer pursuant to the book-entry delivery procedures described below or the tendering DTC participant must comply with the guaranteed delivery procedures described below. No letters of transmittal will be required to tender existing notes through ATOP.

In addition, to tender existing notes in the exchange offer:

the exchange agent for the exchange offer must receive: (1) either a completed and signed letter of transmittal for the exchange offer, or an electronic confirmation pursuant to DTC s ATOP system indicating the principal amount of existing notes to be tendered in the exchange offer and any other documents, if any, required by the letter of transmittal, and (2) prior to the expiration date of the exchange offer, a confirmation of book-entry transfer of such existing notes, into the exchange agent s account at DTC, in accordance with the procedures for book-entry transfer described below; or

the holder of such existing notes must comply with the guaranteed delivery procedures described below.

Book-Entry Delivery Procedures

Your existing notes must be tendered by book-entry transfer. The exchange agent for the exchange offer will establish an account with respect to the existing notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC may make book-entry delivery of existing notes by having DTC transfer such existing notes into the exchange agent s account at DTC in accordance with DTC s procedures for transfer. Although your existing notes may be tendered through book-entry transfer at the DTC facility, the letter of transmittal for the exchange offer (or a facsimile of it) or an electronic confirmation pursuant to DTC s ATOP system, with any required signature guarantees and any other required documents, if any, must be transmitted to and received or confirmed by the exchange agent for the exchange offer at its address listed below under Exchange Agent and on the back cover of this prospectus prior to the expiration of the exchange offer. You or your broker must ensure that the exchange agent for the exchange offer receives an agent s message from DTC confirming the book-entry transfer of your existing notes. An agent s message is a message transmitted by DTC and received by the exchange agent that forms a part of the book-entry confirmation, which states that DTC has received an express acknowledgement from the participant in DTC tendering the notes that such participant agrees to be bound by the terms of the letter of transmittal for the exchange offer. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent.

If you are an institution which is a participant in DTC s book-entry transfer facility, you should follow the same procedures that are applicable to persons holding existing notes through a financial institution.

Do not send letters of transmittal for the exchange offer or other required documents to us, CIBC World Markets Corp. or the information agent for the exchange offer.

It is your responsibility that all necessary materials get to the exchange agent for the exchange offer before the expiration of the exchange offer. If the exchange agent for the exchange offer does not receive all of the required materials before the expiration of the exchange offer, your existing notes will not be validly tendered in the exchange offer.

Any existing notes that are not accepted for exchange pursuant to the exchange offer for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

We will have accepted the validity of existing notes tendered in the exchange offer if and when we give oral or written notice to the exchange agent for the exchange offer. The exchange agent for the exchange offer will act as

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the tendering holders agent for purposes of receiving the new notes from us. If we do not accept any existing notes tendered in the exchange offer for exchange because of an invalid tender or the occurrence of any other event, the exchange agent for the exchange offer will return those existing notes tendered in the exchange offer to the holder thereof, without expense, promptly after the expiration or termination of the exchange offer via book-entry transfer through DTC.

Our Interpretations Are Binding

We will determine in our sole and absolute discretion, all questions as to the validity, form, eligibility, time of receipt, acceptance and withdrawal of existing notes tendered in the exchange offer. Our determination will be final and binding on all parties. We reserve the absolute right to reject any and all particular existing notes that are not properly tendered in the exchange offer or to not accept any particular existing note if the acceptance might, in our judgment or our counsel s judgment, be unlawful. We reserve the absolute right to waive any defects or irregularities with respect to the tender of any particular existing notes, either before or after the expiration of the exchange offer, including the right to waive the ineligibility of any holder who seeks to tender existing notes in the exchange offer. Tenders of existing notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Our interpretation of the terms and conditions of the exchange offer with respect to the tender of any particular existing note, either before or after the expiration of the exchange offer, including the related letter of transmittal for the exchange offer and the instructions to such letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities with respect to tenders of existing notes in the exchange offer must be cured within such reasonable period of time as we shall determine. Neither we, the exchange agent for the exchange offer nor any other person shall be under any duty to give notification of any defect or irregularity with respect to any tender of existing notes in the exchange offer, nor shall we or any of them incur any liability for failure to give such notification.

Guaranteed Delivery Procedures

If you desire to tender your existing notes and you cannot complete the procedures for book-entry transfer described above on a timely basis, you may still tender your existing notes in the exchange offer if:

- you tender your existing notes through an eligible institution;
- prior to the expiration of the exchange offer, the exchange agent for the exchange offer must receive from the eligible institution a properly completed and duly executed letter of transmittal for the exchange offer (or a facsimile copy of it) or an electronic confirmation pursuant to DTC s ATOP system, and notice of guaranteed delivery, substantially in the form provided by us, by facsimile transmission, mail or hand delivery; that:
  - sets forth the name and address of the holder of existing notes and the amount of existing notes being tendered in the exchange offer;
  - states that the tender is being made thereby; and
  - guarantees that within three trading days after the expiration date of the exchange offer, a book-entry confirmation of delivery and any other documents required by the letter of transmittal for the exchange offer, if any, will be deposited by the eligible institution with the exchange agent for the exchange offer; and
- book-entry confirmation of delivery and all other documents, if any, required by the letter of transmittal for the exchange offer are received by the exchange agent for the exchange agent within three trading days after the expiration date of the exchange offer.

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The notice of guaranteed delivery relating to the exchange offer must be sent by hand delivery or by facsimile to the exchange agent and must include a guaranty by an eligible institution in the form set forth in the notice of guaranteed delivery relating to the exchange offer.

Acceptance of Existing Notes for Exchange; Delivery of New Notes

Subject to our right to amend the exchange offer at any time prior to the expiration of the exchange offer, and upon satisfaction or waiver of all of the conditions to the exchange offer, promptly after the expiration of the exchange offer, we will accept all existing notes properly tendered and not withdrawn and issue the new notes offered in exchange for such existing notes. The section of this prospectus entitled The Exchange Offer Conditions for Completion of the Exchange Offer provides further information regarding the conditions to the exchange offer. For purposes of the exchange offer, we shall be deemed to have accepted properly tendered existing notes for exchange when, as and if we have given oral or written notice to the exchange agent for the exchange offer, with written confirmation of any oral notice to be given promptly after giving such notice.

Any existing notes we acquire pursuant to the exchange offer will be retired. The new notes will be issued only in denominations of $1,000 and integral multiples of $1,000, and we will pay cash in the exchange offer for any fractional portion of a new note that is less than $1,000 principal amount as a result of the exchange, after aggregating all notes tendered in the exchange offer by each holder. For each $1,000 principal amount of existing notes accepted for exchange pursuant to the exchange offer, the holder of such existing note will receive an exchange note having a principal amount of $588. The new notes will bear interest from the issue date. Existing notes accepted for exchange pursuant to the exchange offer will cease to accrue interest from and after the date of consummation of the exchange offer. At the time the new notes are issued on the closing date of the exchange offer, we will pay to holders of the existing notes tendered for exchange all interest that is due and payable on such existing notes to, but excluding, the closing date for the exchange offer. Interest on the new notes will begin to accrue as of the closing date of the exchange offer.

In all cases, issuance of new notes for existing notes that are accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent for the exchange offer of:

a timely book-entry confirmation of such existing notes into the exchange agent s account at the book-entry transfer facility;

a properly completed and duly executed letter of transmittal for the exchange offer or an electronic confirmation of the submitting holder s acceptance through DTC s ATOP system; and

all other required documents, if any.

If we do not accept any of your existing notes tendered in the exchange offer for any reason described in the terms and conditions of the exchange offer, your unaccepted existing notes tendered by book-entry transfer into the exchange agent s account at the book-entry transfer facility will be returned to you in accordance with the book-entry procedures described above promptly after the expiration or termination of the exchange offer. If you tender into the exchange offer existing notes with a principal amount that is less than the aggregate principal amount of all existing notes that you hold, the balance of your existing notes that you do not tender for exchange will be credited to an account maintained with DTC promptly after the expiration or termination of the exchange offer.

Withdrawal Rights

You may withdraw any existing notes that you previously tendered in the exchange offer at any time prior to the expiration of the exchange offer.

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For a withdrawal to be effective, the exchange agent for the exchange offer must receive a written notice of withdrawal at the address or, in the case of eligible institutions, at the facsimile number, listed in the section of this prospectus entitled Exchange Agent and on the back cover of this prospectus prior to the expiration of the exchange offer. Any notice of withdrawal must:

- specify the name of the holder that tendered the existing notes to be withdrawn;
- contain a statement that you are withdrawing your election to tender your existing notes in the exchange offer;
- specify the principal amount of the existing notes to be withdrawn;
- be signed by the holder in the same manner as the original signature on the letter of transmittal for the exchange offer by which the existing notes were previously tendered, including any required signature guarantees; and
- if you have tendered your existing notes in accordance with the procedure for book-entry transfer described above, specify the name and number of the account at DTC to be credited with the withdrawn existing notes and otherwise comply with the procedures of DTC.

In addition, you may withdraw any existing notes that were previously tendered in the exchange offer after January 16, 2003, unless we have accepted your existing notes for exchange pursuant to the exchange offer.

Any existing notes so withdrawn will be deemed not to have been validly tendered in the exchange offer and no new notes will be issued in exchange for any withdrawn existing notes unless they have been validly retendered in the exchange offer. Any existing notes that have been tendered in the exchange offer, but which are not exchanged for any reason, will be credited to an account maintained with the book-entry transfer facility for the existing notes promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn existing notes may be retendered in the exchange offer by following the procedures described under the section of this prospectus entitled The Exchange Offer Procedures for Tendering Existing Notes above at any time on or prior to the expiration of the exchange offer.

Conditions for Completion of the Exchange Offer

We will not accept existing notes for new notes pursuant to the exchange offer, and we may terminate, not complete or extend the exchange offer if:

- the registration statement covering the issuance of new notes pursuant to the exchange offer is not effective under the Securities Act of 1933 prior to the expiration of the exchange offer; or
- the Form T-1 with respect to the indenture governing the new notes is not declared effective under the Trust Indenture Act of 1939 prior to the expiration of the exchange offer.

In addition, we may not accept existing notes for exchange, and may terminate or not complete the exchange offer if:

- any action, proceeding or litigation seeking to enjoin, make illegal or delay completion of the exchange offer or otherwise relating in any manner to the exchange offer is instituted or threatened;
- any order, stay, judgment or decree is issued by any court, government, governmental authority or other regulatory or administrative authority and is in effect, or any statute, rule, regulation, governmental order or injunction is proposed, enacted, enforced or deemed applicable to the exchange offer, any of which would or might restrain, prohibit or delay completion of the exchange offer or impair our ability to realize the contemplated benefits of the exchange offer described in the section of this prospectus entitled The Exchange Offer Terms of the Exchange Offer on page 26;

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any of the following occurs and the adverse effect of such occurrence is, in our reasonable judgment, continuing:

- any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States;
- any extraordinary or material adverse change in United States financial markets generally, including, without limitation, a decline of at least twenty percent (20%) in either the Dow Jones Average of Industrial stocks or the Standard & Poor s 500 Index from the date of the commencement of the exchange offer;
- a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States;
- any limitation, whether or not mandatory, by any governmental entity on, or any other event that would reasonably be expected to materially adversely affect, the extension of credit by banks or other lending institutions;
- a commencement of a war or other national or international calamity directly or indirectly involving the United States, which would reasonably be expected to affect materially and adversely, or to delay materially, the completion of the exchange offer; or
- if any of the situations described above existed at the time of commencement of the exchange offer and that situation deteriorates materially after commencement of the exchange offer;