CEL SCI CORP
Form 10-Q
May 15, 2009

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

FORM 10-Q

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009
OR

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

For the transition period from _____ to _____.

Commission File Number 001-11889

CEL-SCI CORPORATION

Colorado	84-0916344
State or other jurisdiction incorporation	(IRS) Employer Identification Number

8229 Boone Boulevard, Suite 802
Vienna, Virginia 22182
Address of principal executive offices

Registrant's telephone number, including area code: (703) 506-9460

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) had been subject to such filing requirements for the past 90 days.

Yes _____X_____ No _____

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

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller reporting company [X]
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act).

Yes _____ No X

Class of Stock	No. Shares Outstanding	Date
Common	129,726,554	May 7, 2009

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Item 1. FINANCIAL STATEMENTS

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

ASSETS	March 31, 2009	September 30, 2008
CURRENT ASSETS		
Cash and cash equivalents	$ 654,166	$ 711,258

Short-term investments	-	200,000
Prepaid expenses	8,396	27,209
Inventory used for R&D and manufacturing	447,196	395,170
Deposits	-	14,828
Total current assets	1,109,758	1,348,465
RESEARCH AND OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS-- Less accumulated depreciation of $2,130,595 and $1,964,597	1,339,520	1,324,686
PATENT COSTS- less accumulated amortization of $1,127,565 and $1,091,597	540,009	587,439
RESTRICTED CASH	71,084	987,652
DEPOSITS	1,575,000	1,575,000
DEFERRED RENT	9,281,783	8,660,837
LONG-TERM INTEREST RECEIVABLE	335,710	199,593
TOTAL ASSETS	$ 14,252,864	$ 14,683,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,245,040	$ 427,509
Accrued expenses	505,758	113,179
Due to employees	102,398	36,077
Accrued interest on convertible debt	34,495	45,558
Derivative instruments - current portion	1,893,005	3,018,697
Deferred revenue	10,000	-
Short-term loan	-	200,000
Short-term loan - related party	570,000	-
Total current liabilities	4,360,696	3,841,020
Deferred rent	13,532	6,617
Total liabilities	4,374,228	3,847,637
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; authorized, 200,000 shares; no shares issued and outstanding	-	-
Common stock, $.01 par value; authorized, 300,000,000 shares; issued and outstanding, 129,726,554 and 120,796,094 shares at March 31, 2009 and September 30, 2008, respectively	1,297,265	1,207,961
Additional paid-in capital	137,123,406	134,324,370
Accumulated deficit	(128,542,035)	(124,696,296)
Total stockholders' equity	9,878,636	10,836,035
LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,252,864	$ 14,683,672

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Six Months Ended March 31, 2009	2008
REVENUE:		
Rent income	$ 19,643	$ 1,530
Total revenue	19,643	1,530
EXPENSES:		
Research and development, excluding depreciation of $165,631 and $97,856 included below	2,213,462	2,066,029
Depreciation and amortization	208,542	133,468
General and administrative	2,069,525	2,754,569
Total expenses	4,491,529	4,954,066
LOSS FROM OPERATIONS	(4,471,886)	(4,952,536)
GAIN (LOSS) ON DERIVATIVE INSTRUMENTS	656,243	(170,949)
INTEREST INCOME	139,397	335,987
INTEREST EXPENSE	(169,493)	(265,531)
NET LOSS BEFORE INCOME TAXES	(3,845,739)	(5,053,029)
INCOME TAX PROVISION	-	-
NET LOSS	(3,845,739)	(5,053,029)
DIVIDENDS	-	(424,815)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (3,845,739)	$ (5,477,844)
NET LOSS PER COMMON SHARE (BASIC)	$ (0.03)	$ (0.05)
NET LOSS PER COMMON SHARE (DILUTED)	$ (0.03)	$ (0.04)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, BASIC & DILUTED	123,444,839	116,008,631

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31, 2009	2008
REVENUE:		
Rent income	$ 19,643	$ -
Total revenue	19,643	-
EXPENSES:		
Research and development, excluding depreciation of $101,108 and $97,035 included below	1,025,236	1,037,063
Depreciation and amortization	122,598	79,215
General and administrative	1,014,399	968,820
Total expenses	2,162,233	2,085,098
LOSS FROM OPERATIONS	(2,142,590)	(2,085,098)
GAIN (LOSS) ON DERIVATIVE INSTRUMENTS	264,554	(1,160,937)
INTEREST INCOME	68,160	157,256
INTEREST EXPENSE	(84,877)	(121,515)
NET LOSS BEFORE INCOME TAXES	(1,894,753)	(3,210,294)
INCOME TAX PROVISION	-	-
NET LOSS	(1,894,753)	(3,210,294)
DIVIDENDS	-	(424,815)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$(1,894,753)	$(3,635,109)
NET LOSS PER COMMON SHARE (BASIC)	$ (0.02)	$ (0.03)
NET LOSS PER COMMON SHARE (DILUTED)	$ (0.02)	$ (0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, BASIC & DILUTED	124,701,667	116,312,378

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

	Six Months Ended March 31, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET LOSS	$ (3,845,739)	$(5,053,029)
Adjustments to reconcile net loss to net		

cash used in operating activities:		
Depreciation and amortization	208,542	133,468
Issuance of common stock, warrants and stock options for services	1,027,523	848,644
Common stock contributed to 401(k) plan	17,487	51,712
Employee option cost	288,721	529,417
Consultant option extension	-	99,181
(Gain) loss on derivative instruments	(656,243)	170,949
Amortization of discount on convertible debt	80,551	144,584
Impairment loss on retirement of equipment	-	595
Loss on abandonment of patents	16,958	1,974
Increase in receivables	(136,117)	(129,079)
Decrease (increase) in prepaid expenses	18,813	(13,927)
(Increase) decrease in inventory for R&D and manufacturing	(52,026)	69,306
Decrease in deposits	14,828	-
Increase (decrease) in accounts payable	803,163	(32,659)
Increase in accrued expenses	392,579	15,954
Increase (decrease) in amount due to employees	66,321	(19,263)
Increase in deferred revenue	10,000	-
Decrease in deposits held	-	(3,000)
Increase (decrease) in accrued interest on convertible debt	29,090	(68,795)
Increase in deferred rent	6,915	2,932
NET CASH USED IN OPERATING ACTIVITIES	(1,708,634)	(3,251,036)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additional investment in manufacturing facility	-	(1,290,990)
Investment in available-for-sale securities	-	(5,800,000)
Decrease in restricted cash	916,568	-
Increase in deferred rent	(505,224)	-
Sale of investments available-for-sale securities	200,000	-
Purchase of equipment	(169,923)	(520,775)
Patent costs	(8,613)	(45,845)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	432,808	(7,657,610)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	-	14,403
Licensing proceeds (see Note D)	1,249,982	-
Repayment of convertible notes	(365,000)	(480,000)
Proceeds from short term loan-related party	570,000	656,340
Repayment of short term loan	(200,000)	-
Financing costs	(36,248)	(10,300)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,218,734	180,443
NET DECREASE IN CASH AND CASH EQUIVALENTS	(57,092)	(10,728,203)
CASH AND CASH EQUIVALENTS:		
Beginning of period	711,258	10,993,021
End of period	$ 654,166	$ 264,818

See notes to condensed consolidated financial statements.

Continued

CEL-SCI
CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)
(continued)

	Six Months Ended March 31, 2009	2008
SUPPLEMENTAL INFORMATION ON NONCASH TRANSACTIONS:		
Patent costs included in accounts payable:		
Increase in accounts payable	$ (3,459)	$ (17,860)
Increase in patent costs	3,459	17,860
	$ -	$ -
Equipment costs included in accounts payable:		
Increase in accounts payable	$ (10,909)	$ (24,230)
Increase in research and office equipment	10,909	24,230
	$ -	$ -
Payment of convertible debt principal with common stock:		
Decrease in convertible debt	$ 185,000	$ -
Increase in common stock	(7,216)	-
Increase in additional paid-in capital	(177,784)	-
	$ -	$ -
Conversion of interest on convertible debt into common stock:		
Decrease in accrued interest on convertible debt	$ 40,153	$ -
Increase in common stock	(1,705)	-
Increase in additional paid-in capital	(38,448)	-
	$ -	$ -
Issuance of warrants with licensing agreement (See Note D):		
Increase in additional paid-in capital	$(1,015,771)	$ -
Decrease in additional paid-in capital	1,015,771	-
	$ -	$ -
Warrants issued for deferred rent:		
Increase in deferred rent	$ 115,722	$ -
Increase in additional paid-in capital	(115,722)	-
	$ -	$ -
Cost of investor warrant extension:		
Incrrease in accumulated deficit	$ -	$ 424,815

Increase in additional paid-in capital	-	(424,815)
	$ -	$ -
NOTE:		
Cash expenditures for interest expense	$ 45,558	$ 150,468

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX AND THREE MONTHS ENDED MARCH 31, 2009 AND 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements of CEL-SCI Corporation and subsidiary (the Company) are unaudited and certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission. While management of the Company believes that the disclosures presented are adequate to make the information presented not misleading, interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's annual report on Form 10-K/A for the year ended September 30, 2008.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all accruals and adjustments (each of which is of a normal recurring nature) necessary for a fair presentation of the financial position as of March 31, 2009 and the results of operations for the six and three-month periods then ended. The condensed consolidated balance sheet as of September 30, 2008 is derived from the September 30, 2008 audited consolidated financial statements. Significant accounting policies have been consistently applied in the interim financial statements and the annual financial statements. The results of operations for the six and three-month periods ended March 31, 2009 and 2008 are not necessarily indicative of the results to be expected for the entire year.

Significant accounting policies are as follows:

Research and Office Equipment - Research and office equipment is recorded at cost and depreciated using the straight-line method over estimated useful lives of five to seven years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Repairs and maintenance which do not extend the life of the asset are expensed when incurred. Depreciation expense for the six-month periods ended March 31, 2009 and 2008 were $165,998 and $93,759, respectively. Depreciation expense for the three-month periods ended March 31, 2009 and 2008 were $101,326 and $62,322, respectively.

Patents - Patent expenditures are capitalized and amortized using the straight-line method over the shorter of the expected useful life or the legal life of the patent (17 years). In the event changes in technology or other circumstances impair the value or life of the patent, appropriate adjustment in the asset value and period of amortization is made. An impairment loss is recognized when estimated future undiscounted cash flows expected to result from the use of the asset, and from disposition, is less than the carrying value of the asset. The amount of the impairment loss would be the difference between the estimated fair value of the asset

and its carrying value. During the six-month periods ended March 31, 2009 and 2008, the Company recorded $16,958 and $-0-, respectively, in patent impairment charges. For the six-month periods ended March 31, 2009 and 2008, amortization of patent costs totaled $42,544 and $39,709, respectively. For the three month periods ended March 31, 2009 and 2008, amortization of patent costs totaled $21,272 and $20,170, respectively. The Company estimates that amortization expense will be $85,088 for each of the next five years, totaling $425,440.

Research and Development Costs - Research and development expenditures are expensed as incurred. Total research and development costs, excluding depreciation, were $2,213,462 and $2,066,029 for the six months ended March 31, 2009 and 2008. For the three months ended March 31, 2009 and 2008, total research and development costs, excluding depreciation, were $1,025,236 and $1,037,063.

Income Taxes - The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") effective October 1, 2007. The Company has net operating loss carryforwards of approximately $98,093,100. The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be recognized. There has been no change in the Company's financial position and results of operations due to the adoption of FIN 48.

Stock-Based Compensation - In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment". SFAS No. 123R requires companies to recognize expense associated with share based compensation arrangements, including employee stock options, using a fair value-based option pricing model. SFAS No. 123R applies to all transactions involving issuance of equity by a company in exchange for goods and services, including employees. Compensation expense has been recognized for awards that were granted, modified, repurchased or cancelled on or after October 1, 2005 as well as for the portion of awards previously granted that vested during the period ended March 31, 2009. For the six months ended March 31, 2009 and 2008, the Company recorded $288,721 and $529,417, respectively, in general and administrative expense for the cost of employee options. The Company's options vest over a three-year period from the date of grant. After one

year, the stock is one-third vested, with an additional one-third vesting after two years and the final one-third vesting at the end of the three-year period. There were -0- and 1,332,000 options granted to employees during the six-month periods ended March 31, 2009 and 2008. Options are granted with an exercise price equal to the closing price of the Company's stock on the day before the grant. The Company determines the fair value of the employee compensation using the Black Scholes method of valuation.

The Company has Incentive Stock Option Plans, Non-Qualified Stock Option Plans, a Stock Compensation Plan and Stock Bonus Plans. All Stock Option and Bonus Plans have been approved by the stockholders. A summary description of these Plans follows. In some cases these Plans are collectively referred to as the "Plans".

Incentive Stock Option Plans. The Incentive Stock Option Plans authorize the issuance of shares of the Company's common stock to persons who exercise options granted pursuant to the Plan. Only Company employees may be granted options pursuant to the Incentive Stock Option Plan.

To be classified as incentive stock options under the Internal Revenue Code, options granted pursuant to the Plans must be exercised prior to the following dates:

(a) The expiration of three months after the date on which an option holder's employment by the Company is terminated (except if such termination is due to death or permanent and total disability);

(b) The expiration of 12 months after the date on which an option holder's employment by the Company is terminated, if such termination is due to the Employee's permanent and total disability;

(c) In the event of an option holder's death while in the employ of the Company, his executors or administrators may exercise, within three months following the date of his death, the option as to any of the shares not previously exercised;

The total fair market value of the shares of common stock (determined at the time of the grant of the option) for which any employee may be granted options which are first exercisable in any calendar year may not exceed $100,000.

Options may not be exercised until one year following the date of grant. Options granted to an employee then owning more than 10% of the common stock of the Company may not be exercisable by its terms after five years from the date of grant. Any other option granted pursuant to the Plan may not be exercisable by its terms after ten years from the date of grant.

The purchase price per share of common stock purchasable under an option is determined by the Committee but cannot be less than the fair market value of the common stock on the date of the grant of the option (or 110% of the fair market value in the case of a person owning more than 10% of the Company's outstanding shares).

Non-Qualified Stock Option Plans. The Non-Qualified Stock Option Plans authorize the issuance of shares of the Company's common stock to persons that exercise options granted pursuant to the Plans. The Company's employees, directors, officers, consultants and advisors are eligible to be granted options pursuant to the Plans, provided however that bona fide

services must be rendered by such consultants or advisors and such services must not be in connection with the offer or sale of securities in

a capital-raising transaction. The option exercise price is determined by the Committee but cannot be less than the market price of the Company's common stock on the date the option is granted.

During the six and three months ended March 31, 2009, no options were exercised. During the six months ended March 31, 2008, 50,467 options were exercised. All options exercised were from the non-qualified plans. The total intrinsic value of options exercised during the six months ended March 31, 2008 was $17,691.

Options to non-employees are accounted for in accordance with FASB's Emerging Issues Task Force (EITF) Issue 96-18 Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. Accordingly, compensation is recognized when goods or services are received and is measured using the Black-Scholes valuation model. The Black-Scholes model requires management to make assumptions regarding the fair value of the options at the date of grant and the expected life of the options. There were no options granted to non-employees during the six months ended March 31, 2009. There were 1,911,924 shares of common stock issued for services during the six months ended March 31, 2009 at a cost for the six months ended March 31, 2009 of $387,773. In addition, a portion of the cost of common stock issued in previous quarters was expensed. This cost for the six months ended March 31, 2009 was $293,399.

B. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements". The statement defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2, Effective Data of FASB Statement No. 157. FSP 157-2 delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company has adopted this statement and it did not affect its current practice in valuing fair value of its derivatives each quarter. See Note F.

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 15". The Statement permits companies to choose to measure many financial instruments and certain other items at fair value. The statement is effective for fiscal years that begin after November 15, 2007, but early adoption is permitted. The Company chose not to elect the fair value option.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141 (revised

2007), Business Combinations, which replaces SFAS No. 141R. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141R is effective beginning October 1, 2009 and will apply prospectively to business combinations completed on or after that date. The Company does not believe that the effect of adopting this statement will be material.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51, which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective beginning October 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. The Company does not believe that the effect of adopting this statement will be material.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133, which changes disclosure requirements for derivative instruments and hedging activities. The statement is effective for periods ending on or after November 15, 2008, with early application encouraged. The Company has adopted this statement and the effect is immaterial.

In April 2008, the FASB staff issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. The staff position is intended to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141, Business Combinations, and other U.S. generally accepted accounting principles (GAAP). The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years; early adoption is prohibited. The Company is currently assessing the potential impact of this staff position on its consolidated financial statements.

In June 2008, the FASB finalized EITF 07-5, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock". The EITF lays out a procedure to determine if the debt instrument is indexed to its own common stock. The EITF is effective for fiscal years beginning after December 15, 2008. The Company believes it will have an impact on the convertible debt and certain warrants and it could be material.

In September 2008, the FASB staff issued PSP FAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment

of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161". The FSP applies to credit derivatives within the scope of Statement 133 and hybrid instruments that have embedded credit derivatives. It deals with disclosures related to these derivatives and is effective for reporting periods ending after November 15, 2008. It also clarifies the effective date of SFAS No. 161 as any reporting period beginning after November 15, 2008. The Company is assessing the potential impact of this staff position on its consolidated financial statements.

C. AVAILABLE-FOR-SALE SECURITIES

At September 30, 2008, the Company had $200,000 in face value of Auction Rate Cumulative Preferred Shares (ARPs), liquidation preference of $25,000 per share, of an income mutual fund. During the six months ended March 31, 2009, the Company redeemed the ARPs for $200,000.

The Company carried the ARPs at par value until they were repaid in November 2008. The loan that the Company had taken against these ARPs was repaid at the same time.

D. STOCKHOLDERS' EQUITY

In November and December 2007, the Company extended 1,905,633 employee options and 2,016,176 investor and consultant warrants. The options and warrants were due to expire from December 1, 2007 through December 31, 2008. All options and warrants were extended for an additional five years from the original expiration date. The cost of the extension of employee options of $465,008 was recorded as a debit to general and administrative expense and a credit to additional paid-in capital. The cost of the extension of investor warrants of $424,815 was recorded as a debit to accumulated deficit (dividend) and a credit to additional paid-in capital. The cost of the extension of the consultant warrants of $99,181 is recorded as a debit to general and administrative expense and a credit to additional paid-in capital. The additional cost of the extension of employee options and investor and consultant warrants was determined using the Black Scholes method.

In January and March, 2008, the Company issued 1,116,020 shares of restricted common stock to employees. The stock was valued at prices ranging from $0.52 to $0.62. The total cost of the stock issued to employees was $687,830. The cost of the stock for the six months ended March 31, 2009 of $120,127 was expensed to research and development ($38,753) and general and administrative expense ($81,374). In addition,

in March and April of 2008, the Company issued a total of 516,000 shares of restricted common stock to two consultants at $0.52 and $0.69 per share for a total cost of $134,160. This stock will be expensed over the period of the contracts with the consultants. The expense for the six months ended March 31, 2009 was $155,899.

In November of 2008, the Company extended its licensing agreement for Multikine with Orient Europharma. The new agreement extends the Multikine collaboration to also cover South Korea, the Philippines, Australia and New Zealand. The licensing agreement initially focuses on the areas of head and neck cancer, nasopharyngeal cancer and potentially cervical cancer. The agreement expires 15 years after the commencement date which is defined as the date of the first commercial sale of Multikine in any country within their territory. As a result of the agreement, Orient

Europharma purchased 1,282,051 shares of common stock at a cost of $0.39 per share, for a total to the Company, after expenses, of $499,982.

During the six months ended March 31, 2009, 1,911,924 shares of common stock were issued for services totaling $456,523. Common stock was also issued to pay interest and principal on the convertible debt. (See Note E.) In addition, the balance of the shares issued to the President in September 2008 were expensed at a cost of $200,669. An additional 1,030,928 shares were issued to the President in March 2009. A portion of the cost of $200,000 was expensed during the six months ended March 31, 2009, totaling $25,555.

On December 30, 2008, the Company entered into an Equity Line of Credit agreement as a source of funding for the Company. For a two-year period, the agreement allows the Company, at its discretion, to sell up to $5 million of the Company's common stock at the volume weighted average price of the day minus 9%. The Company may request a drawdown once every ten trading days, although the Company is under no obligation to request any drawdowns under the equity line of credit. The equity line of credit expires on January 6, 2011. There were no drawdowns during the six months ended March 31, 2009.

On March 6, 2009, the Company entered into a licensing agreement with Byron Biopharma LLC ("Byron") under which the Company granted Byron an exclusive license to market and distribute the Company's cancer drug Multikine in the Republic of South Africa. the Company has existing licensing agreements for Multikine with Teva Pharmaceuticals and Orient Europharma. Pursuant to the agreement Byron will be responsible for registering the product in South Africa. Once Multikine has been approved for sale, the Company will be responsible for manufacturing the product, while Byron will be responsible for sales in South Africa. Revenues will be divided equally between the Company and Byron. To maintain the license Byron, among other requirements, must make milestone payments to the Company totaling $125,000 on or before March 15, 2010. On March 30, 2009, and as further consideration for its rights under the licensing agreement,

Byron purchased 3,750,000 Units from the Company at a price of $0.20 per Unit. Each Unit consisted of one share of the Company's common stock and two warrants. Each warrant entitles the holder to purchase one share of the Company's common stock at a price of $0.25 per share. The warrants will be exercisable at any time after September 8, 2009 and prior to March 6, 2016. The shares of common stock included as a component of the Units were registered by the Company under the Securities Act of 1933. The Company will file a new registration statement to register the shares issuable upon the exercise of the warrants. The Units were accounted for as an equity transaction using the Black Scholes method to value the warrants. The fair value of the warrants was calculated to be $1,015,771 and was recorded as both a debit and a credit to additional paid-in capital.

E. SERIES K CONVERTIBLE DEBT

In August 2006, the Company issued $8,300,000 in aggregate principal amount of convertible notes (the "Series K Notes") together with warrants to purchase 4,825,581 shares of the Company's common stock (the Series K Warrants"). Additionally, in connection with issuance of the Series K Notes and Series K Warrants, the placement agent received a fee of $498,000 and 386,047 fully vested warrants (the "Placement Agent Warrants") to purchase shares of the Company's common stock. Net proceeds

were $7,731,290, net of $568,710 in direct transaction costs, including the placement agent fee.

Features of the Convertible Debt Instrument and Warrants

The Series K Notes were convertible into 10,480,000 shares of the Company's common stock at the option of the holder at any time prior to maturity at a conversion price of $0.75 per share, subject to adjustment for certain events. The Series K Warrants are exercisable over a five-year period from February 4, 2007 through February 4, 2012 at $0.75 per share.

The Series K Notes bear interest at the greater of 8% or the six month LIBOR plus 300 basis points, and are required to be repaid in thirty equal monthly installments of $207,500 beginning on March 4, 2007 and continuing through September 4, 2010. Any remaining principal balance is required to be repaid on August 4, 2011; however, holders of the Series K Notes may require repayment of the entire remaining principal balance at any time after August 4, 2009. Interest is payable quarterly beginning September 30, 2006. Each payment of principal and accrued interest may be settled in cash or in shares of common stock at the option of the Company. The number of shares deliverable under the share-settlement option is determined based on the lower of (a) $0.75 per share, as adjusted pursuant to the terms of the Series K Notes or (b) 90% applied to the arithmetic average of the volume-weighted-average trading prices for the twenty day period immediately preceding each share settlement. The Company may not make payments in shares if such payments would result in the cumulative issuance of shares of its common stock exceeding 19.999% of the shares outstanding on the day immediately preceding the issuance date of the Series K Notes, unless prior approval is given by vote of at least a majority of the shares outstanding. The Company received such approval on November 17, 2006.

The Company is accounting for the Series K Warrants as derivative liabilities in accordance with SFAS No. 133. A debt discount of $1,734,472 is being amortized to interest expense using the effective interest method over the expected term of the Series K Notes. During the six-month periods

ended March 31, 2009 and 2008, the Company recorded interest expense of $80,551 and $144,584, respectively, in amortization of the debt discount. As of March 31, 2009, the fair value of the Series K notes is $1,462,546 and the fair value of the investor and placement agent warrants is $430,459. The Company recorded a gain on derivative instruments of $656,243 and a loss of $170,949 during the six months ended March 31, 2009 and 2008. For the three months ended March 31, 2009 and 2008, the Company recorded a gain on derivative instruments of $264,554 and a loss of $1,160,937, respectively.

During the six and three months ended March 31, 2009 and 2008, no Series K notes were converted into shares of common stock. During the six months ended March 31, 2009, principal payments of $365,000 were made in cash to the holders of the Series K notes. In addition, 721,565 shares of common stock were issued in lieu of cash for the principal payments due on January 4 and February 4, 2009 of $185,000. In accordance with the agreement, payment in stock must be made 20 days before the principal payment is due. The Company also paid the interest expense through December 31, 2008 with 170,577 shares of common stock. As of March 31, 2009, $1,690,715 of the Series K Notes remained outstanding.

The following summary comprises the total of the fair value of the

convertible debt and related derivative instruments at March 31, 2009 and September 30, 2008:

	March 31, 2009	September 30, 2008
Face value of debt	$1,690,715	$2,240,715
Discount on debt	(113,429)	(193,980)
Investor warrants	1,734,472	1,734,472
Placement agent warrants	31,886	79,664
Fair value adjustment-convertible debt	(114,740)	(103,495)
Fair value adjustment-investor warrants	(1,335,899)	(738,679)
Total fair value	$1,893,005	$3,018,697

F. FAIR VALUE MEASUREMENTS

Effective October 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value and expands disclosures about such measurements that are permitted or required under other accounting pronouncements. While SFAS No. 157 may change the method of calculating fair value, it does not require any new fair value measurements. The SFAS No. 157 requirements for certain non-financial assets and liabilities have been deferred in accordance with Financial Accounting Board Staff Position FSP 157-2. The new effective date is for fiscal years beginning after November 15, 2008 and the interim periods within the fiscal year. The adoption of SFAS 157 did not have a material impact on our results of operations, financial position or cash flows.

In accordance with SFAS No. 157, the Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company generally applies the income approach to determine fair value. This method uses valuation techniques to convert future amounts to a single present amount. The measurement is based on the value indicated by current market expectations about those future amounts.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). We classify fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and amounts derived from valuation models where all significant inputs are observable in active markets
- Level 3 - Unobservable inputs that reflect management's assumptions

For disclosure purposes, assets and liabilities are classified in their

entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

The table below sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the condensed consolidated balance sheet at March 31, 2009:

	Quoted Prices in Active Market for Indentical Assets or Liabilities (Level 1)	Significant Other Observ-able Inputs (Level 2)	Significant Unobservable Inputs (Level3)	Total
Derivative instruments	$ 0	$1,893,005	$ 0	$1,893,005

The fair values of the Company's derivative instruments disclosed above are primarily derived from valuation models where significant inputs such as historical price and volatility of the Company's stock as well as U.S. Treasury Bill rates are observable in active markets.

G. SHORT-TERM LOANS

The Company had a line of credit through its bank to borrow up to 100% of the ARPs (see Note C) at an interest rate of prime minus 1%. As of September 30, 2008, the Company had borrowed $200,000, which was paid back in November 2008. During the six months ended March 31, 2009, the Company had paid $813 in interest on the line of credit.

Beginning in December 2008, the Company has received short-term loans from the President of the Company. As of March 31, 2009, these loans total $570,000. The notes bear interest at 15% and must be repaid when the Company has obtained additional funding. Interest expense for the six and three months ended March 31, 2009 is $13,479. On May 7, 2009, the note was extended to June 27, 2009.

H. OPERATIONS, FINANCING

The Company's independent registered accountants issued a going concern opinion on the September 30, 2008 financial statements. The Company has funded costs for the acquisition of certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system, patent applications, research and development, administrative costs, construction of laboratory facilities and clinical trials. The Company must raise additional capital or find additional long-term financing in order to continue with its research efforts. To date, the Company has not generated any revenue from product sales. The ability of the Company to complete the necessary clinical trials and obtain Federal Drug Administration (FDA) approval for the sale of products to be developed on a commercial basis is uncertain. Ultimately, the Company must complete the development of its products, obtain the appropriate regulatory approvals and obtain sufficient revenues to support

its cost structure.

The Company has two partners who have agreed to participate in and pay for part of the Phase III clinical trial for Multikine. However, in light of the current capital market environment, the Company believes it is prudent not to start the Phase III clinical trial for Multikine until it has firm commitments in the form of partnerships and/or money raised for a substantial amount of cash to support the Phase III clinical trial. In the meantime, the Company will operate at significantly reduced cash expenditure levels and additional cash may be raised by offering contract manufacturing services to the pharmaceutical industry in its new manufacturing facility. The Company expects that it will need to raise additional capital in fiscal year 2009 in the form of corporate partnerships and/or equity financings to support its operations at its current rate. The Company is currently working towards a transaction which will finance its Phase III clinical trial of Multikine. The Company believes that it will be able to obtain additional financing since Multikine is a Phase III product designed to treat cancer, an area that pharmaceutical companies are increasingly targeting. It is important to note that the Company's expenditures for fiscal year 2008 included several very large non-recurring expenses that amounted to several million dollars, mostly related to the build out of the manufacturing facility. These expenses will not recur in fiscal year 2009, thereby reducing the

Company's expenditures significantly. Beyond those savings the Company has also made other very significant cuts in its expenditures. In addition, the Company has put in place a $5 million Equity Line of Credit (see Note D). With this Equity Line of Credit in place the Company believes it will have the required capital to continue operations through March 2010. However, if necessary the Company can make further reductions in expenditures by a reduction in force or by implementation of a salary reduction program.

The Company has determined that the convertible debt holders of the Series K Notes may require repayment of the entire remaining principal balance at any time after August 4, 2009. This debt can be paid in stock and may not require a cash payment. In addition, in December 2008, the Company was not in compliance with certain lease requirements (i.e., failure to pay an installment of Base Annual Rent). This resulted in a lease amendment pursuant to which the landlord agreed to defer 3 months (December - February) of rent which will be paid back incrementally from future financings. In return, the Company extended 3,000,000 warrants by one year and repriced these warrants from $1.25 to $0.75 and the landlord was issued an additional 787,000 warrants at $0.75. Both warrants expire on January 26, 2014. The cost of the warrants ($115,721) was accounted for as a debit to deferred rent and a credit to additional paid-in capital. In March 2009, the Company began paying half of the basic monthly rent while it is negotiating for additional capital. As of March 31, 2009, the Company and the landlord were cooperating while the Company is negotiating various financial transactions.

In general, with the reduction in expenses and the $5 million Equity Line in place, the Company expects to have enough cash to continue operations through March 2010 if the debt holders do not exercise their put options.

While there can be no assurance that the debt holders will not exercise their put option, and the landlord of the manufacturing facility will not issue a default notice, the Company continues to work on solutions for additional financing and ways to reduce expenses. The Company has shown in the past that they are able to secure financing to continue operations.

There is no assurance the Company can do so in the future. These financial statements do not reflect any adjustments that might result from this uncertainty.

I. DIVIDENDS

The Company has paid no dividends to shareholders since inception. The cost of the extension of investor warrants during the six months ended March 31, 2008 of $424,815 is recorded as a dividend, and increases the accumulated deficit.

J. COMMITMENTS AND CONTINGENCIES

Lease Agreement - In August 2007, the Company leased a building near Baltimore, Maryland. The building, which consists of approximately 73,000 square feet, will be remodeled in accordance with the Company's specifications so that it can be used by the Company to manufacture Multikine for the Company's Phase III clinical trial and sales of the drug

if approved by the FDA. The lease is for a term of twenty years and requires annual base rent payments of $1,575,000 during the first year of the lease. The annual base rent escalates each year at 3%. The Company is also required to pay all real and personal property taxes, insurance premiums, maintenance expenses, repair costs and utilities. The lease allows the Company, at its election, to extend the lease for two ten-year periods or to purchase the building at the end of the 20-year lease. The lease required the Company to pay $3,150,000 towards the remodeling costs, which will be recouped by reductions in the annual base rent of $303,228 in years six through twenty of the lease. On January 24, 2008, a second amendment to the lease for the manufacturing facility was signed. In accordance with the amendment, the Company is required to pay the following: 1) an additional $518,790 for movable equipment, which will increase restricted cash, and 2) an additional $1,295,528 into the escrow account to cover additional costs, which will increase deferred rent. These funds were transferred in early February 2008. In April 2008, an additional $288,474 was paid toward the completion of the manufacturing facility. In July 2008, CEL-SCI was required to deposit the equivalent of one year's base rent in accordance with the contract. The $1,575,000 was required to be deposited when the amount of cash CEL-SCI had fell below the amount stipulated in the lease. The Company took possession of the manufacturing facility in October 2008. An additional $505,225 was paid for the completion of the work on the manufacturing facility in October 2008.

CEL-SCI CORPORATION

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company has had only limited revenues from operations since its inception in March 1983. The Company has relied upon proceeds realized from the public and private sale of its Common Stock and convertible notes as well as short-term borrowings to meet its funding requirements. Funds raised by the Company have been expended primarily in connection with the acquisition of an exclusive worldwide license to, and later purchase of, certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system, patent applications, the repayment of debt, the continuation of Company sponsored research and development and administrative costs, and the construction of laboratory facilities. Inasmuch as the Company does not anticipate realizing significant revenues until such time as it enters into licensing arrangements regarding its technology and know-how or until such time it receives permission to sell its product (which could take a number of years), the Company has been dependent upon the proceeds from the sale of its securities to meet all of its liquidity and capital resource requirements and will have to continue doing so in the future.

During the six-month periods ended March 31, 2009 and 2008, the Company used cash totaling $57,092 and $10,728,203, respectively. For the six months ended March 31, 2009 and 2008, cash used in operating activities totaled $1,708,634 and $3,251,036. For the six months ended March 31, 2009 and 2008, cash provided by financing activities totaled $1,218,734 and $180,443, respectively. Licensing proceeds of $1,249,982 and receipt of short-term loans of $570,000 provided funds. The repayment of convertible notes ($365,000), financing costs ($36,248) and the repayment of the short-term loan ($200,000) were used in financing activities during the six months ended March 31, 2009. For the six months ended March 31, 2008, cash provided by financing was from the exercise of employee options ($14,403). Repayment of convertible notes of $480,000 used cash in financing activities. Cash provided by investing activities was $432,808 and $7,657,610 was used in investing activities for the six months ended March 31, 2009 and 2008, respectively. For the six months ended March 31, 2009 and 2008, the use of cash in investing activities consisted of purchases of equipment and legal costs incurred in patent applications and, for the six months ended March 31, 2009, the sale of the final $200,000 in ARPs.

The Company has two partners who have agreed to participate in and pay for part of the Phase III clinical trial for Multikine. However in light of the current capital market environment, the Company believes it is prudent not to start the Phase III clinical trial until it has firm commitments in the form of partnerships and/or money raised for a substantial amount of cash to support the Phase III clinical trial. In the meantime, the Company will operate at significantly reduced cash expenditure levels and additional cash may be raised by offering contract manufacturing services to the pharmaceutical industry in its new manufacturing facility. The Company expects that it will need to raise additional capital in fiscal year 2009 in the form of corporate partnerships and/or equity financings to support its operations at its current rate. If the Company does not raise this additional capital during 2009, the Company expects to finance its operations either through its $5 million equity line of credit or additional loans from the Company's President. The Company is currently working

towards a transaction which will finance its Phase III clinical trial of Multikine. The Company believes that it will be able to obtain additional financing since Multikine is a Phase III product designed to treat cancer, an area that pharmaceutical companies are increasingly targeting. It is important to note that the Company's expenditures for fiscal year 2008 included several very large non-recurring expenses that amounted to several million dollars, mostly related to the build out of the manufacturing facility. These expenses will not recur in fiscal year 2009, thereby reducing the Company's expenditures

significantly. Beyond those savings the Company has also made other very significant cuts in its expenditures. In addition, the Company has put in place a $5 million Equity Line of Credit (see Note D). With this Equity Line of Credit in place the Company believes it will have the required capital to continue operations through March 2010. However, if necessary the Company can make further reductions in expenditures by a reduction in force or by implementation of a salary reduction program.

The Company has determined that the convertible debt holders of the Series K Notes may require repayment of the entire remaining principal balance at any time after August 4, 2009. This debt can be paid in stock and may not require a cash payment. In addition, in December 2008, CEL-SCI was not in compliance with certain lease requirements (i.e., failure to pay an installment of Base Annual Rent). This resulted in a lease amendment pursuant to which the landlord agreed to defer 3 months (December - February) of rent which will be paid back incrementally from future financings. In return, the Company extended 3,000,000 warrants by one year and repriced these warrants from $1.25 to $0.75 and the landlord was issued an additional 787,000 warrants at $0.75. Both warrants expire on January 26, 2014. The cost of the warrants ($115,721) was accounted for as a debit to deferred rent and a credit to additional paid-in capital. In March 2009, the Company began paying half of the basic monthly rent while it is negotiating for additional capital. As of March 31, 2009, the Company and the landlord were cooperating while the Company is negotiating various financial transactions.

While there can be no assurance that the debt holders will not exercise their put option, and the landlord of the manufacturing facility will not issue a default notice, the Company continues to work on solutions for additional financing and ways to reduce expenses. The Company has shown in the past that they are able to secure financing to continue operations. However, there is no assurance to do so in the future.

It should be noted that substantial funds will be needed for the clinical trial which will be necessary before the Company will be able to apply to the FDA for approval to sell any products which may be developed on a commercial basis throughout the United States. In the absence of revenues, the Company will be required to raise additional funds through the sale of securities, debt financing or other arrangements in order to continue with its research efforts. However, there can be no assurance that such financing will be available or be available on favorable terms. Ultimately, the Company must complete the development of its products, obtain appropriate regulatory approvals and obtain sufficient revenues to support its cost structure.

Since all of the Company's projects are under development the Company cannot predict with any certainty the funds required for future research and clinical trials, the timing of future research and development projects, or when it will be able to generate any revenue from the sale of any of its products.

The Company had invested in ARPs (See Note C). Because of liquidity issues with these ARPs, the Company borrowed $200,000 on a line of credit which was paid off in November of 2008.

Results of Operations and Financial Condition

During the six-month period ended March 31, 2009, research and development expenses increased by $147,433 compared to the six-month period ended March 31, 2008. This increase was due to continuing expenses relating to the preparation

for the Phase III clinical trial on Multikine. During the three-month period ended March 31, 2009, research and development expense was relatively unchanged, with a decrease of only $11,827, caused by the layoff of some nonessential personnel in the lab. The Company is preparing for the beginning of the Phase III clinical trial.

During the six-month period ended March 31, 2009, general and administrative expenses decreased by $685,044 compared to the six-month period ended March 31, 2008. This decrease was caused by the Company having extended and repriced options during the six-month period ended March 31, 2008 of $465,008 and the expensing of stock issued to employees in the six-month period ended March 31, 2008 of $378,350 compared to a cost of employee stock issued in prior periods but expensed in the six-month period ended March 31, 2009 of only $81,372, a decrease of $296,978. This decrease from March 31, 2008 to March 31, 2009 was partially offset by higher insurance costs of approximately $16,500. During the three-month period ended March 31, 2009, general and administrative expenses increased slightly, $45,579, primarily because of a writeoff of abandoned patents of approximately $17,000, an increase in insurance of approximately $7,650 and an increase in filing fees of approximately $15,000.

Interest income during the six months ended March 31, 2009 decreased by $196,590 compared to the six-month period ended March 31, 2008. The decrease was due to the decrease in the funds available for investment. Interest income declined by approximately $89,100 during the three months ended March 31, 2009 for the same reason.

The gain on derivative instruments of $656,243 for the six months ended March 31, 2009, and the gain on derivative instruments of $264,554 was the result of the change in fair value of the Series K Notes and Series K Warrants during the period. These gains were caused by fluctuations in the share price of the Company's common stock.

The interest expense of $169,493 for the six months ended March 31, 2009 was composed of four elements: 1) amortization of the Series K discount ($80,551), 2) interest paid and accrued on the Series K debt ($74,650), 3) margin interest ($813) , and 4) interest on the short term loan ($13,479). This is a decline of approximately $96,000 from the six months ended March 31, 2008 because of the lower balance of Series K debt. The corresponding amounts for the three months ended March 31, 2009 are: 1)$36,902, 2) $34,495, 3) $-0- and 4) $13,479.

Research and Development Expenses

During the six-month periods ended March 31, 2009 and 2008, the Company's research and development efforts involved Multikine and L.E.A.P.S.(TM). The table below shows the research and development expenses associated with each project during the six and three-month periods.

	Six Months Ended March 31,		Three Months Ended March 31,	
	2009	2008	2009	2008
MULTIKINE	$2,158,414	$1,865,345	$ 970,188	$ 956,397
L.E.A.P.S	55,048	200,684	55,048	80,666
TOTAL	$2,213,462	$2,066,029	$1,025,236	$1,037,063

In January 2007, the Company received a "no objection" letter from the FDA indicating that it could proceed with the Phase III protocol with Multikine in head & neck cancer patients. The protocol for the Phase III clinical trial was designed to develop conclusive evidence of the safety and efficacy of Multikine in the treatment of advanced primary squamous cell carcinoma of the oral cavity. The Company had previously received a "no objection" letter from the Canadian Biologics and Genetic Therapies Directorate which enabled the Company to begin its Phase III clinical trial in Canada.

As of March 31, 2009, the Company was involved in a number of pre-clinical studies with respect to its L.E.A.P.S. technology. The Company does not know what obstacles it will encounter in future pre-clinical and clinical studies involving its L.E.A.P.S. technology.

Clinical and other studies necessary to obtain regulatory approval of a new drug involve significant costs and require several years to complete. The extent of the Company's clinical trials and research programs are primarily based upon the amount of capital available to the Company and the extent to which the Company has received regulatory approvals for clinical trials. The inability of the Company to conduct clinical trials or research, whether due to a lack of capital or regulatory approval, will prevent the Company from completing the studies and research required to obtain regulatory approval for any products which the Company is developing. Without regulatory approval, the Company will be unable to sell any of its products.

In August 2007, the Company leased a building near Baltimore, Maryland. The building, which consists of approximately 73,000 square feet, will be remodeled in accordance with the Company specifications so that it can be used by the Company to manufacture Multikine for the Company's Phase III clinical trial and sales of the drug if approved by the FDA. The lease is for a term of twenty years and requires annual base rent payments of $1,575,000 during the first year of the lease. The annual base rent escalates each year at 3%. the Company is also required to pay all real and personal property taxes, insurance premiums, maintenance expenses, repair costs and utilities. The lease allows the Company, at its election, to extend the lease for two ten-year periods or to purchase the building at the end of the 20-year lease. The lease required the Company to pay $3,150,000 towards the remodeling costs, which will be recouped by reductions in the annual base rent of $303,228 in years six through twenty of the lease. In January 2008, the Company signed a second amendment to the lease. In accordance

with the lease, on February 8, 2008, the Company paid an additional $1,295,528 toward the remodeling costs and a further $518,790 to pay for lab equipment. In addition, in April 2008, an additional $288,474 was paid for the completion of the facility. In July 2008, CEL-SCI was required to deposit the equivalent of one year's base rent in accordance with the contract. The $1,575,000 was required to be deposited when the amount of cash CEL-SCI had fell below the amount stipulated in the lease. The Company took possession of the manufacturing facility in October 2008.

Regulatory authorities prefer to see biologics such as Multikine manufactured for commercial sale in the same manufacturing facility for Phase III clinical trials and the sale of the product since this arrangement helps to ensure that the drug lots used to conduct the clinical trials will be consistent with those that may be subsequently sold commercially. Although some biotech companies outsource their manufacturing, this can be risky with biologics because they require intense manufacturing and process control. With biologic products a minor change in manufacturing and process control can result in a major change in the final product. Good and consistent manufacturing and process control is critical and is best assured if the product is manufactured and controlled in

the manufacturer's own facility by their own specially trained personnel. Since all of the Company's projects are under development, the Company cannot predict when it will be able to generate any revenue from the sale of any of its products.

Critical Accounting Estimates and Policies

Management's discussion and analysis of the Company's financial condition and results of operations is based on its unaudited condensed consolidated financial statements. The preparation of these financial statements is based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and notes. The Company believes some of the more critical estimates and policies that affect its financial condition and results of operations are in the areas of revenue recognition, operating leases, asset retirement obligations, stock-based compensation and income taxes. For more information regarding the Company's critical accounting estimates and policies, see Part II, Item 7, MD&A "Critical Accounting Estimates and Policies" of the Company's 2008 10-K. We have discussed the application of these critical accounting policies and estimates with the Audit Committee of the Company's Board of Directors.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As of March 31, 2009, the Company had outstanding Series K Notes and Series K Warrants which were classified as derivative financial instruments. Interest on the Series K Notes is tied to the 6-month LIBOR. Should the 6-month LIBOR increase, interest payments on the Series K debt may increase as well.

Item 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the direction and with the participation of the Company's management, including the Company's Chief Executive and Chief Financial Officer, the Company has conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2009. The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its periodic reports with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching its desired disclosure control objectives. Based on the evaluation, the Company's Chief Executive and Financial Officer concluded that these disclosure controls and procedures were effective as of March 31, 2009.

Changes in Internal Control over Financial Reporting

The Company's management, with the participation of the Chief Executive and Financial Officer, evaluated whether any change in the Company's internal control over financial reporting occurred during the first six months of fiscal year 2009. Based on that evaluation, it was concluded that there has been no change in the Company's internal control over financial reporting during the

first six months of fiscal year 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. (a) Exhibits

Number	Exhibit
31	Rule 13a-14(a) Certifications
32	Section 1350 Certifications

SIGNATURES

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

CEL-SCI CORPORATION

Date: May 15, 2009

/s/ Geert Kersten

Geert Kersten, Chief Executive Officer*

* Also signing in the capacity of the Chief Accounting Officer and Principal Financial Officer.

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