CEL SCI CORP
Form 10-Q
May 17, 2010

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, 2010

OR

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

For the transition period from _______________ to ______________.

Commission File Number 0-11503

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

(703) 506-9460

Registrant's telephone number, including area code

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

Yes ____X_____ No __________

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

Indicate by check mark whether the Registrant is a large accelerated filer, 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	204,661,592	May 10, 2010

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CEL-SCI CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

ASSETS	March 31, 2010	September 30, 2009
CURRENT ASSETS		
Cash and cash equivalents	$ 34,011,770	$ 33,567,516
Prepaid expenses	210,614	39,972
Inventory used for R&D and manufacturing	1,013,884	399,474
Deferred rent - current portion	773,953	419,354
Deposits	10,114	1,585,064

Total current assets	36,020,335	36,011,380
RESEARCH AND OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS-- Less accumulated depreciation of $2,463,144 and $2,259,237	1,206,155	1,200,611
PATENT COSTS- less accumulated amortization of $1,170,619 and $1,132,612	386,235	423,104
RESTRICTED CASH	21,316	68,552
DEFERRED RENT	7,393,271	8,323,951
TOTAL ASSETS	$ 45,027,312	$ 46,027,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 731,249	$ 793,148
Accrued expenses	114,009	98,665
Due to employees	45,807	49,527
Deposits held	10,000	10,000
Deferred revenue	125,000	-
Related party loan	1,104,057	1,107,339
Total current liabilities	2,130,122	2,058,679
Derivative instruments	8,219,128	35,113,970
Deferred rent	14,346	14,305
Total liabilities	10,363,596	37,186,954
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, 450,000,000 shares; issued and outstanding, 204,341,825 and 191,972,021 shares at March 31, 2010 and September 30, 2009, respectively	2,043,418	1,919,720
Additional paid-in capital	186,488,698	173,017,978
Accumulated deficit	(153,868,400)	(166,097,054)
Total stockholders' equity	34,663,716	8,840,644
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 45,027,312	$ 46,027,598

See notes to condensed consolidated financial statements.

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

For the Six Months Ended
March 31,

	2010	2009
REVENUE:		
Rent income	$ 60,600	$ 19,643
Total revenue	60,600	19,643
EXPENSES:		
Research and development, excluding depreciation of $203,429 and $165,631 included below	6,146,024	2,658,516
Depreciation and amortization	242,884	208,542
General and administrative	3,244,899	2,069,525
Total expenses	9,633,807	4,936,583
LOSS FROM OPERATIONS	(9,573,207)	(4,916,940)
GAIN ON DERIVATIVE INSTRUMENTS	27,859,939	656,243
INTEREST INCOME	207,788	139,397
INTEREST EXPENSE	(79,522)	(169,493)
NET INCOME (LOSS) BEFORE INCOME TAXES	18,414,998	(4,290,793)
INCOME TAX PROVISION	-	-
NET INCOME (LOSS)	18,414,998	(4,290,793)
MODIFICATION OF SERIES M WARRANTS	(1,432,456)	-
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 16,982,542	$ (4,290,793)
NET INCOME (LOSS) PER COMMON SHARE-BASIC	$ 0.09	$ (0.03)
NET LOSS PER COMMON SHARE-DILUTED	$ (0.01)	$ (0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-BASIC	199,516,156	123,444,839
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	253,593,416	123,444,839

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2010	2009
REVENUE:		
Rent income	$ 30,600	$ 19,643

Total revenue	30,600	19,643
EXPENSES:		
Research and development, excluding depreciation of $103,845 and $101,108 included below	3,340,897	1,247,763
Depreciation and amortization	123,303	122,598
General and administrative	1,886,758	1,014,399
Total expenses	5,350,958	2,384,760
LOSS FROM OPERATIONS	(5,320,358)	(2,365,117)
GAIN ON DERIVATIVE INSTRUMENTS	4,519,672	264,554
INTEREST INCOME	97,569	68,160
INTEREST EXPENSE	(41,402)	(84,877)
NET LOSS BEFORE INCOME TAXES	(744,519)	(2,117,280)
INCOME TAX PROVISION	-	-
NET LOSS	(744,519)	(2,117,280)
MODIFICATION OF SERIES M WARRANTS	(1,432,456)	-
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (2,176,975)	$ (2,117,280)
NET LOSS PER COMMON SHARE-BASIC	$ (0.01)	$ (0.02)
NET LOSS PER COMMON SHARE-DILUTED	$ (0.03)	$ (0.02)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-BASIC	204,173,750	124,701,667
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	258,251,010	124,701,667

See notes to condensed consolidated financial statements.

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

	Six Months Ended March 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	$ 18,414,998	$ (4,290,793)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	242,884	208,542
Issuance of common stock, warrants and stock options for services	1,062,670	1,027,523
Common stock contributed to 401(k) plan	50,826	17,487
Extension of employee options	212,444	-
Employee option cost	618,082	288,721

Gain on derivative instruments	(27,859,939)	(656,243)
Amortization of discount on convertible debt	-	80,551
Amortization of loan premium	(3,282)	-
Amortization of deferred rent	404,763	445,054
Loss on abandonment of patents	5,381	16,958
(Increase) decrease in prepaid expenses	(170,642)	18,813
(Increase) in inventory for R&D and manufacturing	(614,410)	(52,026)
Decrease in deposits	1,574,950	24,828
(Decrease) increase in accounts payable	(138,575)	803,163
(Decrease) increase in accrued expenses	15,344	392,579
(Decrease) increase in amount due to employees	(3,720)	66,321
Increase in deferred revenue	125,000	-
Increase in accrued interest on convertible debt	-	29,090
Increase in deferred rent liability	41	6,915
NET CASH USED IN OPERATING ACTIVITIES	(6,063,185)	(1,572,517)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in restricted cash	47,236	916,568
Decrease (increase) in deferred rent asset	210,199	(641,341)
Sale of investments available-for-sale securities	-	200,000
Purchase of equipment	(138,215)	(169,923)
Patent costs	(2,050)	(8,613)
NET CASH PROVIDED BY INVESTING ACTIVITIES	117,170	296,691
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options and warrants	6,390,269	-
Licensing proceeds (Note D)	-	1,249,982
Repayment of convertible notes	-	(365,000)
Proceeds from short term loan-related party	-	570,000
Repayment of short term loan	-	(200,000)
Financing costs	-	(36,248)
NET CASH PROVIDED BY FINANCING ACTIVITIES	6,390,269	1,218,734
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	444,254	(57,092)
CASH AND CASH EQUIVALENTS:		
Beginning of period	33,567,516	711,258
End of period	$ 34,011,770	$ 654,166

(continued)

See notes to condensed consolidated financial statements

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

	Six Months Ended March 31, 2010	2009
SUPPLEMENTAL INFORMATION ON NONCASH TRANSACTIONS:		
Patent costs included in accounts payable:		
Increase in accounts payable	$ (5,440)	$ (3,459)
Increase in patent costs	5,440	3,459
	$ -	$ -
Equipment costs included in accounts payable:		
Increase in accounts payable	$ (71,235)	$ (10,909)
Increase in research and office equipment	71,235	10,909
	$ -	$ -
Modification of Series M warrants:		
Increase in additional paid-in capital	$ (1,432,456)	$ -
Decrease in additional paid capital	1,432,456	-
	$ -	$ -
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	$ -	$ 40,154
Increase in common stock	-	(1,706)
Increase in additional paid-in capital	-	(38,448)
	$ -	$ -
Warrants issued for deferred rent:		
Increase in deferred rent	$ -	$ 115,722
Increase in additional paid-in capital	-	(115,722)
	$ -	-
Issuance of warrants with licensing agreement:		
Increase in additional paid-in capital	$ -	$ (1,015,771)
Decrease in additional paid-in capital	-	1,015,771
	$ -	$ -
Exercise of derivative liability warrants:		
Decrease in derivative liabilities	$ 5,221,246	$ -
Increase in additional paid-in capital	(5,221,246)	-
	$ -	$ -
Conversion of warrants from additional paid in capital to derivative liabilities:		
Increase in derivative liabilities	$ (6,186,343)	$ -

Increase in retained deficit	6,186,343	-
	$ -	$ -
NOTE:		
Cash expenditures for interest expense	$ 82,804	$ 45,558

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2010 AND 2009

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 condensed consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and notes included in the Company's annual report on Form 10-K for the year ended September 30, 2009.

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, 2010 and the results of operations for the six and three-month periods then ended. The condensed consolidated balance sheet as of September 30, 2009 is derived from the September 30, 2009 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, 2010 and 2009 are not necessarily indicative of the results to be expected for the entire year.

Certain items in the consolidated financial statements have been reclassified to conform to the current presentation.

Significant accounting policies are as follows:

Research and Office Equipment and Leasehold Improvements - 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 and amortization expense for the six-month periods ended March 31, 2010 and 2009 was $203,906 and $165,998, respectively.

Depreciation and amortization expense for the three-month periods ended March 31, 2010 and 2009 were $104,036 and $101,326, respectively. During the current quarter, the Company recorded adjustments to research and development expense totaling $651,442 relating to prior periods. Management believes the impact of these adjustments is immaterial to the prior periods and to the current period.

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, 2010 and 2009, the Company recorded patent impairment charges of $5,381 and $16,958, respectively. During the three-month periods ended March 31, 2010 and 2009, the Company recorded patent impairment charges of $-0- and $16,958, respectively. For the six-month periods ended March 31, 2010 and 2009, amortization of patent costs totaled $38,978 and $42,544, respectively. For the three-month periods ended March 31, 2010 and 2009, amortization of patent costs totaled $19,267 and $21,272, respectively. The Company estimates that amortization expense will be $78,000 for each of the next five years, totaling $390,000.

Research and Development Costs - Research and development expenditures are expensed as incurred. Total research and development costs, excluding depreciation, were $6,146,024 and $2,658,516, respectively, for the six months ended March 31, 2010 and 2009. Total research and development costs, excluding depreciation, were $3,340,897 and $1,247,763, respectively, for the three months ended March 31, 2010 and 2009.

Income Taxes - The Company has net operating loss carryforwards of approximately $105 million. 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.

Derivative Instruments - The Company has entered into financing arrangements that consist of freestanding derivative instruments or are hybrid instruments that contain embedded derivative features. The Company has also issued warrants to various parties in connection with work done by these parties. The Company accounts for these arrangements in accordance with Codification 815-10-50, "Accounting for Derivative Instruments and Hedging Activities". The Company also accounts for warrants in accordance with Codification 815-40-15, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock". In accordance with accounting principles generally accepted in the United States ("GAAP"), derivative instruments and hybrid instruments are recognized as either assets or liabilities in the balance sheet and are measured at fair value with gains or losses recognized in earnings or other comprehensive income depending on the nature of the derivative or hybrid instruments. The Company determines the fair value of derivative instruments and hybrid instruments based on available market data using

appropriate valuation models, giving consideration to all of the rights and obligations of each instrument. The derivative liabilities are remeasured at fair value at the end of each interim period as long as they are outstanding.

Deferred rent (asset) - The deferred rent is discussed at Note J. Long-term interest receivable on the deposit on the manufacturing facility has been combined with the deferred rent (asset) for both periods for comparability.

Stock-Based Compensation - The Company follows Codification 718-10-30-3, "Share-Based Payment". This Codification applies to all transactions involving issuance of equity by a company in exchange for goods and services, including to 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, 2010. For the six months ended March 31, 2010 and 2009, the Company recorded $618,082 and $288,721, respectively, in general and administrative expense for the cost of employee options. For the three months ended March 31, 2010 and 2009, the Company recorded $313,082 and $133,449, 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 394,000 and -0- options granted to employees during the six-month periods ended March 31, 2010 and 2009, respectively. There were 284,000 and -0- options granted to employees during the three-month periods ended March 31, 2010 and 2009, respectively. 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.

During the six months ended March 31, 2010, the Company extended 518,832 employee options at a cost of $212,444, representing the difference between the fair value of the options before the extension and the fair value after the extension. The Company determined the fair value of the fully vested employee option extension 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 Plans have been approved by the stockholders. A summary description of the Stock Option Plans follows. For further discussion of the Stock Compensation Plan and Stock Bonus Plans, see Form 10-K for the year ended September 30, 2009. 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 Plans. Only Company employees may be granted options pursuant to the Incentive Stock Option Plans.

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 option holder'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;

During the six months ended March 31, 2010, 71,333 options were exercised from the Incentive Stock Option Plan. During the three months ended March 31, 2010, 53,333 options were exercised from the Incentive Stock Option Plans. The total intrinsic value of options exercised during the six months ended March 31, 2010 was $22,933. The total intrinsic value of options exercised during the three months ended March 31, 2010 was $22,933. There were no options exercised during the six or three months ended March 31, 2009.

During the six and three months ended March 31, 2010, 100,000 Incentive Stock Options were granted.

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 exercise price of an option 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 Company's Board of Directors.

During the six months ended March 31, 2010, 18,625 options were exercised from the Non-Qualified Plans. During the three months ended March 31, 2010, 4,000 options were exercised from the Non-Qualified Plans. The total intrinsic value of options exercised during the six months ended March 31, 2010 was $10,066. The total intrinsic value of options exercised during the three months ended March 31, 2010 was $560. There were no options exercised during the six or three months ended March 31, 2009.

During the six months ended March 31, 2010, 294,000 Non-Qualified stock options were granted. During the three months ended March 31, 2010, 284,000 Non-Qualified stock options were granted.

Options to non-employees are accounted for in accordance with Codification 505-50-05-5, "Equity Based Payments to Non-Employees". 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, 2010. There were 370,758 shares of common stock issued to consultants during the six months ended March 31, 2010 at a cost for the six months of $409,562. For the three months ended March 31, 2010, 266,566 shares were issued to non-employees at a cost of $274,563. Additionally, a portion of the cost of common stock issued in previous quarters was expensed. The cost for the previously issued shares for the six months ended March 31, 2010 was $291,174 and for the three months ended March 31, 2010 the cost for previously issued shares was $116,579. 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 to consultants 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 and for the three months ended March 31, 2009, the cost for the previously issued stock was $145,312.

B. NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued Codification 815-20-50-1, "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 June 2008, the FASB finalized Codification 815-40-15, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock". The topic lays out a procedure to determine if the debt instrument is indexed to a corporation's common stock. The topic is effective for

fiscal years beginning after December 15, 2008. The Company has adopted this topic and the effect was material. (See Note D).

In September 2008, the FASB staff issued Codification 815-10-50-1A, "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". This 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 has adopted this statement and the effect was immaterial.

In January 2010, the FASB amended Codification 820-10, "Improving Disclosures about Fair Value Measurement", effective for interim periods beginning after December 15, 2009. This amendment changes disclosures required for interim and annual periods with respect to fair value measurements. The Company is evaluating the disclosure requirements, but does not expect that there will be a significant impact from the adoption of the amendment.

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. The ARPs were invested primarily in a globally diversified portfolio of convertible instruments, common and preferred stocks, and income producing securities such as investment grade and below investment grade (high yield/high risk) debt securities.

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 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 in payment of invoices totaling $456,523. Common stock was also issued to pay interest and principal on the Series K convertible debt. (See Note E) In addition, the balance of the shares issued to the

President of the Company in September 2008 were expensed at a cost of $200,669. An additional 1,030,928 shares were issued to the President of the Company 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 and three months ended March 31, 2010 or 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, had to make a $125,000 payment to the Company on or before March 15, 2010. On March 8, 2010, Byron made the payment of $125,000. 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 expire on 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 filed 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.

During the six months ended March 31, 2010, there were 11,929,674 warrants and options exercised for 11,929,674 shares of common stock at prices ranging from $0.22 to $1.05. The Company received a total of $6,390,269 from the exercise of warrants and options during the six months ended March 31, 2010. During the three months ended March 31, 2010, there were 495,421 warrants and options exercised for 495,421 shares of common stock at prices ranging from $0.22 to $0.51. The Company received a total of $232,817 from the exercise of warrants and options during the three months ended March 31, 2010.

Included in the warrants and options exercised during the six months ended March 31, 2010 were 1,015,454 Series K warrants (See Note E), on which the Company recognized a gain on conversion of $428,769 and 8,813,088 Series A warrants, on which the Company recognized a total gain of $8,433,451. Both

the Series K warrants and the Series A warrants were accounted for as derivative liabilities. Series A warrants were issued in connection with the June 2009 financing. When the warrants were exercised, the value of these warrants was converted from derivative liabilities to equity. Series K warrants transferred to equity totaled $944,274 and Series A warrants transferred to equity totaled $4,276,972. The remaining Series A through E warrants were valued at $4,972,249 at March 31, 2010, a gain on derivative instruments during the quarter of $3,667,567. See Note G for details of the balances of derivative instruments at March 31, 2010 and September 30, 2009.

On March 12, 2010, the Company temporarily reduced the exercise price of the Series M warrants, originally issued on April 18, 2007. The exercise price was reduced from $2.00 to $0.75. At any time prior to June 16, 2010 investors may exercise the Series M warrants at a price of $0.75 per share. For every two Series M warrants exercised prior to June 16, 2010 the investor will receive one Series F warrant. Each Series F warrant will allow the holder to purchase one share of CEL-SCI's common stock at a price of $2.50 per share at any time on or before June 15, 2014. After June 15, 2010 the exercise price of the Series M warrants will revert to $2.00 per share. Any person exercising a Series M warrant after June 15, 2010 will not receive any Series F warrants. The Series M warrants expire on April 17, 2012. An analysis of the modification to the warrants determined that the modification increased the value of the warrants by $1,432,456.

On October 1, 2009, the Company reviewed all outstanding warrants in accordance with the requirements of Codification 815-40, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock". This topic provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. The warrant agreement provides for adjustments to the purchase price for certain dilutive events, which includes an adjustment to the conversion ratio in the event that the Company makes certain equity offerings in the future at a price lower than the conversion prices of the warrant instruments. Under the provisions of Codification 815-40, the warrants are not considered indexed to the Company's stock because future equity offerings or sales of the Company's stock are not an input to the fair value of a "fixed-for-fixed" option on equity shares, and equity classification is therefore precluded. Accordingly, effective October 1, 2009, 3,890,782 warrants issued in August 2008 were determined to be subject to the requirements of this topic and were valued using the Black-Scholes formula as of October 1, 2009 at $6,186,343. Effective October 1, 2009, the warrants are recognized as a liability in the Company's condensed consolidated balance sheet at fair value with a corresponding adjustment to accumulated deficit and will be marked-to-market each reporting period. The warrants were revalued on March 31, 2010 at $1,945,390, which resulted in a gain on derivatives and a reduction in derivative liabilities of $4,240,952 for the six months ended March 31, 2010 and $933,788 for the three months ended March 31, 2010 due to the decline in the Company's stock price since October 1, 2009. The assumptions used in the fair value calculation for the warrants as of October 1, 2009 and March 31, 2010 are as follows:

	October 1, 2009	March 31, 2010
Expected stock price volatility	95%	95%
Risk-free interest rate	2.151%	2.258%
Expected life of warrant	4.88 years	4.39 years

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.

The Company accounted for the Series K Warrants as derivative liabilities in accordance with Codification 815-10. A debt discount of $1,734,472 was 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, 2010 and 2009, the Company recorded interest expense of $-0- and $80,551, respectively, in amortization of the debt discount. During the fiscal year ended September 30, 2009, the balance of the debt was either repaid or converted into shares of common stock. The Company recorded a gain on derivative instruments of $656,243 during the six months ended

March 31, 2009. For the three months ended March 31, 2009, the Company recorded a gain on derivative instruments of $264,554.

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 December 2008 for the principal payment due on January 4, and February 4, 2009 of $185,000. The Company also paid the interest expense through December 31, 2008 with 170,577 shares of common stock.

During the six months ended March 31, 2010, the Company recorded a gain on remaining Series K warrants of $2,698,066. In addition, a gain of $428,769 on the exercise of 1,015,454 Series K warrants was recorded during the six months ended March 31, 2010.

The following summary comprises the total of the fair value of the Series K convertible debt and related derivative instruments at March 31, 2010 and September 30, 2009:

	March 31, 2010	September 30, 2009
Investor warrants	$414,110	$1,734,472
Fair value adjustment-investor warrants	887,379	3,638,126
Total fair value	$1,301,489	$5,372,598

F. FAIR VALUE MEASUREMENTS

Effective October 1, 2008, the Company adopted the provisions of Codification 820-10, "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 Codification 820-10 may change the method of calculating fair value, it does not require any new fair value measurements. The new effective date is for fiscal years beginning after November 15, 2008 and the interim periods within the fiscal year. The adoption of Codification 820-10 did not have a material impact on the Company's results of operations, financial position or cash flows.

In accordance with Codification 820-10, 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 with respect to those future amounts.

Codification 820-10 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). The Company classifies fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

- o Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities
- o 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
- o 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. The Company's 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, 2010:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative instruments	$ -	$8,219,128	$ -	$8,219,1

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. DERIVATIVE LIABILITIES

The Company has several groups of warrants that require classification in the balance sheet as derivative liabilities. These warrants have been discussed above. Below is a summary of the derivative liabilities at March 31, 2010 and September 30, 2009:

	March 31, 2010	September 30, 2009
Series K warrants (Note E)	$ 1,301,489	$ 5,372,598
2009 financings warrants (Note D)	4,972,249	29,741,372
2008 warrants reclassified from equity to derivative liabilities on October 1, 2009 (Note D)	1,945,390	-
Total derivative liabilities	$8,219,128	$35,113,970

H. SHORT-TERM LOANS

The Company had a line of credit with 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 repaid in November 2008. During the three months ended December 31, 2008, the Company had paid $813 in interest on the line of credit.

Between December 2008 and June 2009, Maximilian de Clara, the Company's President and a director, loaned the Company $1,104,057. The loan from Mr. de Clara bears interest at 15% per year and was secured by a lien on substantially all of the Company's assets. The Company does not have the right to prepay the loan without Mr. de Clara's consent. The loan was initially payable at the end of March 2009, but was extended to the end of June 2009. At the time the loan was due, and in accordance with the loan

agreement, the Company issued Mr. de Clara warrants which entitle Mr. de Clara to purchase 1,648,244 shares of the Company's common stock at a price of $0.40 per share. The warrants are exercisable at any time prior to December 24, 2014. Pursuant to Codification section 470-50, the fair value of the warrants issuable under the first amendment was recorded as a discount on the note payable with a credit recorded to additional paid-in capital. The discount was amortized from April 30, 2009, through June 27, 2009. Although the loan was to be repaid from the proceeds of the Company's June 2009, the Company's Directors deemed it beneficial not to repay the loan and negotiated a second extension of the loan with Mr. de Clara on terms similar to the June 2009 financing. Pursuant to the terms of the second extension the note is now due on July 6, 2014, but, at Mr. de Clara's option, the loan can be converted into shares of the Company's common stock. The number of shares which will be issued upon any conversion will be determined by dividing the amount to be converted by $0.40. As further consideration for the second extension, Mr. de Clara received warrants which allow Mr. de Clara to purchase 1,849,295 shares of the Company's common stock at a price of $0.50 per share at any time prior to January 6, 2015.

In accordance with Codification 470-50, the second amendment to the loan was accounted for as an extinguishment of the first amendment debt. The extinguishment of the loan required that the new loan be recorded at fair value and a gain or loss must be recognized, including the warrants issued in connection with the second amendment. This resulted in a premium of $341,454, which was amortized over the period from July 6, 2009, the date of the second amendment, to October 1, 2009, the date at which the loan holder may demand payment of the loan. During the six months ended March 31, 2010, the Company amortized the remaining $3,282 in premium on the loan. As of March 31, 2010, the fair value and the face value of the loan was $1,104,057. As of September 30, 2009, the balance of the loan with unamortized premium was $1,107,339.

I. OPERATIONS, FINANCING

The Company has incurred significant costs since its inception in connection with 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 has funded such costs with proceeds realized from the public and private sale of its common and preferred stock. The Company will be required to 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 believes that it has sufficient funds to support its operations for more than the next twelve months.

The Company has two partners who have agreed to participate in and pay for part of the Phase III clinical trial for Multikine. Since the Company was able to raise substantial capital during 2009, the Company is currently preparing the Phase III trial for Multikine. The net cost of the clinical trial is estimated to be $20 million.

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, was 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, subject to the Company maintaining compliance with the lease covenants. On January 24, 2008, a second amendment to the lease for the manufacturing facility was signed. In accordance with the amendment, the Company was required to pay the following: 1) an additional $518,790 for movable equipment, which increased restricted cash, and 2) an additional $1,295,528 into the escrow account to cover additional costs, which increased 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. The Company took possession of the manufacturing facility in October of 2008. An additional $505,225 was paid for the completion of the work on the manufacturing facility in October 2008. During the six months ended March 31, 2010, an additional $32,059 was paid for final completion costs.

In December 2008, the Company was not in compliance with certain lease requirements (i.e., failure to pay an installment of Base Annual Rent). However, the landlord did not declare the Company formally in default under the terms of the lease and has renegotiated the lease. In January 2009, as part of an amended lease agreement on the manufacturing facility, the Company repriced the 3,000,000 warrants initially issued to the lessor in July 2007 at $1.25 per share with an expiration date of July 12, 2013. These warrants are now repriced at $0.75 per share and expire on January 26, 2014. The cost of this repricing and extension of the warrants was $70,515 In addition, 787,500 additional warrants were given to the lessor of the manufacturing facility on the same date. These warrants are exercisable at $0.75 per share and will expire on January 26, 2014. The cost of these warrants was $45,207. All back rent was paid to the landlord in early July 2009. During the three months ended June 30, 2009, the Company issued the landlord an additional 2,296,875 warrants in accordance with an amendment to the agreement. These warrants were valued at $251,172 using the Black Scholes method. The Company is in compliance with the lease and in February 2010, received a refund of the $1,575,000 deposited with the landlord in July 2008.

On January 28, 2009, the Company subleased a portion of the manufacturing facility. The sublease commenced on February 2, 2009 and expires on January 31, 2011. The Company currently receives $10,300 per month in rent for the subleased space.

The Company began amortizing the deferred rent on the building on October 7, 2008, the day that the Company took possession of the building. The amortization of the deferred rent for the six months ended March 31, 2010 was $406,061 and for the six months ended March 31, 2009 was $445,054. The amortization on the deferred rent for the three months ended March 31, 2010 was $203,118 and for the three months ended March 31, 2009 was $222,527.

K. EARNINGS PER SHARE

The Company's diluted earnings per share (EPS) are as follows for March 31, 2010. The March 31, 2009 diluted earnings per share was the same as the basic earnings per share.

	Six Months Ended March 31, 2010		
	Net Income	Weighted average Shares	EPS
Basic Earnings per Share	$16,982,542	199,516,156	$ 0.09
Note conversion	82,804	2,760,142	
Warrants and options convertible into shares of common stock	(18,997,719)	51,317,118	
Diluted EPS	$(1,932,373)	253,593,416	$(0.01)

	Three Months Ended March 31, 2010		
	Net Income	Weighted average Shares	EPS
Basic Earnings per Share	$(2,176,975)	204,173,750	$(0.01)
Note conversion	41,402	2,760,142	
Warrants and options convertible into shares of common stock	(4,377,471)	51,317,118	
Diluted EPS	$(6,513,044)	258,251,010	$(0.03)

CEL-SCI CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2010 AND 2009

	Six Months Ended March 31, 2009		
	Net Income	Weighted average Shares	EPS
Basic Earnings per Share	$(4,290,793)	123,444,839	$(0.03)
Warrants and options convertible into shares of common stock	-	-	
Diluted EPS	$(4,290,793)	123,444,839	$(0.03)

	Three Months Ended March 31, 2009		
	Net Income	Weighted average Shares	EPS
Basic Earnings per Share	$(2,117,280)	124,701,667	$(0.02)

Warrants and options convertible into shares of common stock	-	-	
Diluted EPS	$(2,117,280)	124,701,667	$(0.02)

L. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date these financial statements were filed.

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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 capital generated from the public and private offerings of its Common Stock and convertible notes. In addition, the Company has utilized short-term loans to meet its capital requirements. Capital raised by the Company has been expended primarily to acquire an exclusive worldwide license to use, and later purchase, certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system. Capital has also been used for patent applications, debt repayment, research and development, administrative costs, and the construction of the Company's laboratory facilities. The Company does not anticipate realizing significant revenues until it enters into licensing arrangements regarding its technology and know-how or until it receives regulatory approval to sell its product (which could take a number of years). As a result the Company has been dependent upon the proceeds from the sale of its securities to meet all of its liquidity and capital requirements and anticipates having to do so in the future.

The Company will be required to raise additional capital or find additional long-term financing in order to continue with its research efforts. 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 believes that it has sufficient capital to support its operations for more than the next twelve months.

The Company has two partners who have agreed to participate in and pay for part of the Phase III clinical trial for Multikine. The Company also raised significant capital through stock sales and the exercise of warrants and options during 2009. If needed, the Company can access a $5 million Equity Line of Credit (see Note D). Since the Company was able to raise substantial capital ing 2009, the Company is currently preparing the Phase III trial for Multikine. The net cost of the Phase IIIclinical trial is estimated to be $20 million.

During the six-month period ended March 31, 2010, the Company's cash increased by $444,254 compared to a decrease in cash of $57,092 during the six months ended March 31, 2009. For the six months ended March 31, 2010 and 2009, cash used in operating activities totaled $6,063,185 and $1,572,517, respectively. For the six months ended March 31, 2010 and 2009, cash provided by financing activities totaled $6,390,269 and $1,218,734, respectively. The repayment of the Series K convertible notes ($365,000), financing costs ($36,248) and the repayment of the short-term loan ($200,000) was used in financing activities during the six months ended March 31, 2009. In addition, Mr. de Clara provided short-term loans to the Company of $570,000. For the six months ended March 31, 2010, cash provided by financing was from the exercise of warrants and options ($6,390,269). Cash provided by investing activities was $117,170 and $296,691, respectively, for the six months ended March 31, 2010 and 2009. 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 increase in deferred rent in the six months ended March 31, 2009 was for additional expenses related to the finishing of the manufacturing facility. The decrease in deferred rent in the six months ended March 31, 2010 was from the prior period adjustments recorded during the quarter.

In August 2007, the Company leased a building near Baltimore, Maryland. The building, which consists of approximately 73,000 square feet, was 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 amended lease, on February 8, 2008, the Company paid an additional $1,295,528 toward the remodeling costs and a further $518,790 for lab equipment. In addition, in April 2008, an additional $288,474 was paid for the completion of the facility. The Company took possession of the manufacturing facility in October, 2008. The Company paid an additional $32,059 in expenses to complete the manufacturing facility during the six months ended March 31, 2010.

In December 2008, the Company was not in compliance with certain lease requirements (i.e., failure to pay an installment of Base Annual Rent). However, the landlord did not declare the Company formally in default under the terms of the lease and renegotiated the lease. In January 2009, as part of an amended lease agreement on the manufacturing facility, the Company repriced the 3,000,000 warrants issued to the landlord in July 2007 at $1.25 per share and which were to expire on July 12, 2013. These warrants are now repriced at $0.75 per share and expire on January 26, 2014. The cost of this repricing and extension of the warrants was $70,515. In addition, 787,500 additional warrants were given to the landlord on the same date. The warrants are exercisable at a price of $0.75 per share and will expire on January 26, 2014. The cost of these warrants was $45,207. During the three months ended June 30, 2009, the Company issued the landlord an additional 2,296,875 warrants in accordance with an amendment to the agreement. These warrants were valued at $251,172 using the Black Scholes method. The Company is currently in compliance with the lease and in February 2010 received a refund of the $1,575,000 deposited with the landlord in July 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.

On January 28, 2009, the Company subleased a portion of the manufacturing facility. The sublease commenced on February 2, 2009 and expires on January 31, 2011. The Company currently receives $10,300 per month in rent for the subleased space.

Results of Operations and Financial Condition

During the six-month period ended March 31, 2010, research and development expenses increased by $3,487,508 compared to the six-month period ended March 31, 2009. This increase was due to continuing expenses relating to the preparation for the Phase III clinical trial. During the three month period ended March 31, 2010, research and development expenses increased by $2,093,134 compared to the three-month period ended March 31, 2009. The increase was due to continuing expenses relating to the preparation for the Phase III clinical trial.

During the six-month period ended March 31, 2010, general and administrative expenses increased by $1,175,374 compared to the six-month period ended March 31, 2009. During the three-month period ended March 31, 2010, general and administrative expenses increased by $872,359 compared to the three-month period ended March 31, 2009. This increase was caused by higher costs for employee options and a bonus given to the Company's Chief Executive Officer in the three-months ended March 31, 2010.

Interest income during the six months ended March 31, 2010 increased by $68,391 compared to the six-month period ended March 31, 2009. Interest income during the three months ended March 31, 2010 increased by $29,409 compared to the three-month period ended March 31, 2009. The increase was due to the increase in the funds available for investment.

The gain on derivative instruments of $27,859,939 for the six months ended March 31, 2010 was the result of the change in fair value of the Series A through E Warrants and Series K Warrants during the period. The gain on derivative instruments of $4,519,672 for the three months ended March 31, 2010, was the result of the change in fair value of the Series A through E Warrants 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 $79,522 for the six months ended March 31, 2010 was interest expense on the loan from the Company's president of $82,804, offset by the amortization of the remaining premium on the loan of ($3,282). The interest expense of $41,402 for the three months ended March 31, 2010 was interest expense on the loan from the Company's president. 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). The interest expense of $84,877 for the three months ended March 31, 2009 was composed of three elements: 1) amortization of the Series K discount ($36,902), 2) interest paid and accrued on the Series K debt ($34,496), and 3) interest on the short term loan ($13,479).

Research and Development Expenses

During the six and three-month periods ended March 31, 2010 and 2009, 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,	
	2010	2009	2010	2009
MULTIKINE	$5,389,010	$2,603,468	$3,092,676	$1,192,715
L.E.A.P.S	757,014	55,048	248,221	55,048
TOTAL	$6,146,024	$2,658,516	$3,340,897	$1,247,763

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. The Company is preparing for the start of its Phase III clinical trial in the United States.

As of March 31, 2010, 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. 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 operating leases and stock-based compensation. 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 2009 10-K report. The application of these critical accounting policies and estimates have been discussed with the Audit Committee of the Company's Board of Directors.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company has a loan from the president that bears interest at 15%. The Company does not believe that it has any significant exposures to market risk.

Item 4. 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, 2010. 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 Chief Executive and Chief Financial Officer has concluded that the Company's disclosure controls and procedures were effective as of March 31, 2010.

Changes in Internal Control over Financial Reporting

The Company's management, with the participation of the Chief Executive and Chief Financial Officer, has evaluated whether any change in the Company's internal control over financial reporting occurred during the first six months of fiscal year 2010. There was no change in the Company's internal control over financial reporting during the six months ended March 31, 2010.

PART II

Item 1. Legal Proceedings

See Item 3 of the Company's report on Form 10-K for the year ended September 30, 2009.

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

During the three months ended March 31, 2010 the Company issued 266,566 shares of its common stock to a law firm in consideration for services relating to the Company's filings with the FDA.

The Company relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 with respect to the issuance of the securities referenced above. The person which acquired these securities was a sophisticated investor and had full information regarding the Company available. There was no general solicitation in connection with the issuance of these securities. The person that acquired these securities acquired them for its own account. The certificate representing the securities bears a restricted legend providing that they cannot be sold except pursuant to an effective registration statement or an exemption from registration.

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 17, 2010

/s/ Geert Kersten

Geert Kersten, Principal Executive Officer*

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