CEL SCI CORP
Form 10-Q
August 13, 2007

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 June 30, 2007

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 is an accelerated filer (as that term is defined in Exchange Act Rule 12b-2).
Yes _____ No _____X____

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	114,248,590	August 9, 2007

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED
BALANCE SHEETS

(unaudited)

ASSETS

	June 30 2007	September 30, 2006
CURRENT ASSETS		
Cash and cash equivalents	$ 19,452,936	$ 8,080,365
Interest and other receivables	89,630	35,626
Advances to employees	2,561	-
Prepaid expenses	53,311	526,498
Inventory used for R&D and manufacturing	321,467	390,644
Deposits	14,828	14,828
Total current assets	19,934,733	9,047,961
RESEARCH AND OFFICE EQUIPMENT-		
Less accumulated depreciation of $1,830,396 and $1,773,102	133,431	92,117
PATENT COSTS- less accumulated amortization of $962,727 and $896,407	576,000	513,199
TOTAL ASSETS	$ 20,644,164	$ 9,653,277
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 181,835	$ 98,056
Accrued expenses	96,802	74,894
Due to employees	-	17,425
Accrued interest on convertible debt	113,578	74,473
Derivative instruments - current portion	917,369	1,670,234
Deposits held	3,000	3,000
Total current liabilities	1,312,584	1,938,082
Derivative instruments - noncurrent portion	6,310,207	8,645,796
Total liabilities	7,622,791	10,583,878
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, $.01 par value; authorized, 100,000 shares; no shares issued and outstanding	-	-
Common stock, $.01 par value; authorized, 200,000,000 shares; issued and outstanding, 114,241,923 and 82,697,428 shares at June 30, 2007 and September 30, 2006, respectively	1,142,419	826,974
Additional paid-in capital	128,208,583	105,180,834
Accumulated deficit	(116,329,629)	(106,938,409)
Total stockholders' equity (deficit)	13,021,373	(930,601)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 20,644,164	$ 9,653,277

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED
STATEMENTS OF OPERATIONS

(unaudited)

	Nine Months Ended June 30,	
	2007	2006
REVENUE:		
Grant revenue	$ 31,779	$ 106,370
Rent income	18,629	-
Other income	1,556	-
Total Revenue	51,964	106,370
EXPENSES:		
Research and development, excluding depreciation of $62,364 and $55,532 included below	1,817,891	1,290,843
Depreciation and amortization	129,247	130,143
General and administrative	5,473,605	2,353,956
Total Expenses	7,420,743	3,774,942
LOSS FROM OPERATIONS	(7,368,779)	(3,668,572)
GAIN/LOSS ON DERIVATIVE INSTRUMENTS	(818,580)	13,130
INTEREST INCOME	362,777	33,203
INTEREST EXPENSE	(1,566,638)	-
NET LOSS BEFORE INCOME TAXES	(9,391,220)	(3,622,239)
INCOME TAX PROVISION	-	-
NET LOSS	$(9,391,220)	$(3,622,239)
NET LOSS PER COMMON SHARE (BASIC)	$ (0.10)	$ (0.05)
NET LOSS PER COMMON SHARE (DILUTED)	$ (0.10)	$ (0.05)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	91,574,113	78,076,239

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,	
	2007	2006
REVENUE:		
Grant revenue	$ -	$ 39,708
Rent income	5,734	-
Other income	715	-
Total Revenue	6,449	39,708
EXPENSES:		
Research and development, excluding depreciation of $21,086 and $18,511 included below	632,868	429,097
Depreciation and amortization	45,089	42,718
General and administrative	3,104,755	873,350
Total Expenses	3,782,712	1,345,165
LOSS FROM OPERATIONS	(3,776,263)	(1,305,457)
GAIN (LOSS) ON DERIVATIVE INSTRUMENTS	(1,090,471)	1,615
INTEREST INCOME	190,112	9,801
INTEREST EXPENSE	(878,354)	-
NET LOSS BEFORE INCOME TAXES	(5,554,976)	(1,294,041)
INCOME TAX PROVISION	-	-
NET LOSS	$ (5,554,976)	(1,294,041)
NET LOSS PER COMMON SHARE (BASIC)	$ (0.05)	$ (0.02)
NET LOSS PER COMMON SHARE (DILUTED)	$ (0.05)	$ (0.02)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	$108,526,680	$ 80,874,687

See notes to condensed consolidated financial statements

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

	Nine Months Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET LOSS	$ (9,391,220)	$ (3,622,239)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	129,247	130,143
Penalty shares issued to nonemployees	156,350	-
Issuance of common stock and stock options for services	2,465,039	605,951
Common stock contributed to 401(k) plan	66,779	64,663
Employee option cost	93,948	142,690
Impairment loss on retired equipment	-	645
Loss (gain) on derivative instruments	818,580	(13,130)
Amortization of discount on convertible debt	1,107,251	-
Increase in receivables	(46,907)	(9,255)
Decrease (increase) in prepaid expenses	473,187	(263,998)
Decrease (increase) in inventory for R&D and manufacturing	69,177	(3,406)
Increase in deferred financing costs	-	(5,000)
Increase in accounts payable	17,846	28,580
Increase in accrued expenses	21,908	3,388
(Decrease) increase in amount due to employees	(19,986)	38,002
Increase in accrued interest on convertible debt	39,105	-
NET CASH USED IN OPERATING ACTIVITIES	(3,999,696)	(2,902,966)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of equipment	(60,105)	(1,885)
Patent costs	(107,324)	(70,470)
NET CASH USED IN INVESTING ACTIVITIES	(167,429)	(72,355)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Drawdown on equity line	-	677,727
Private placement proceeds	15,032,500	1,000,000
Proceeds from exercise of stock options	924,866	700,923
Repayment of convertible notes	(407,500)	-
Financing costs	(10,170)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	15,539,696	2,378,650
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,372,571	(596,671)
CASH AND CASH EQUIVALENTS:		
Beginning of period	8,080,365	1,957,614

End of period	$19,452,936	$ 1,360,943

(continued)

See notes to condensed consolidated financial statements.

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

	Nine Months Ended June 30, 2007	2006
SUPPLEMENTAL INFORMATION ON NONCASH TRANSACTIONS:		
Patent costs included in accounts payable:		
Increase in accounts payable	$ (21,797)	$ (9,149)
Increase in patent costs	21,797	9,149
	$ -	$ -
Equipment costs included in accounts payable:		
Increase in accounts payable	$ (44,136)	$ -
Increase in research and office equipment	44,136	-
	$ -	$ -
Reclassification of derivative instruments:		
Decrease in derivative instruments	$ -	$ 797,835
Increase in additional paid-in capital	-	(797,835)
	$ -	$ -
Cost of new warrants and repricing of old warrants:		
on private placement:		
Increase in additional paid-in capital	$ -	$ 1,192,949
Decrease in additional paid-in capital	-	(1,192,949)
	$ -	$ -
Repayment of convertible debt in common stock:		
Decrease in convertible debt	$ 207,500	$ -
Increase in accounts receivable	25,655	-
Increase in common stock	(3,431)	-
Increase in additional paid-in capital	(229,724)	-
	$ -	$ -
Conversion of convertible debt to common stock:		

Decrease in convertible debt	$ 4,399,285	$ -
Decrease in accounts receivable	(18,558)	-
Increase in common stock	(57,448)	-
Increase in additional paid-in capital	(4,323,279)	-
	$ -	$ -
Cashless exercise of warrants:		
Decrease in additional paid-in capital	$ -	$ 8,822
Increase in common stock	-	(8,822)
	$ -	$ -

NOTE:
Interest expense paid during the nine months ended June 30, 2007 and 2006 totaled $420,287 and $-0-, respectively.

See notes to condensed consolidated financial statements. concluded

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 for the year ended September 30, 2006.

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 June 30, 2007 and the results of operations for the nine and three-month periods then ended. The condensed consolidated balance sheet as of September 30, 2006 is derived from the September 30, 2006 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 nine and three-month periods ended June 30, 2007 are not necessarily indicative of the results to be expected for the entire year.

Significant accounting policies are as follows:

Principles of Consolidation - The consolidated financial statements include the accounts of CEL-SCI Corporation and its wholly owned subsidiary, Viral Technologies, Inc. All intercompany transactions have

been eliminated upon consolidation.

Cash and Cash Equivalents - For purposes of the statements of cash flows, cash and cash equivalents consists principally of unrestricted cash on deposit and short-term money market funds. The Company considers all highly liquid investments with a maturity when purchased of less than three months to be cash equivalents.

Prepaid Expenses and Inventory - Prepaid expenses are those expenses which benefit a substantial period of time. Inventory consists of bulk purchases of laboratory supplies used on a daily basis in the lab and items that will be used for future production. These items are disposables and consumables and can be used for both the manufacturing of Multikine for clinical studies and in the laboratory for quality control and bioassay use. They can be used in training, testing and daily laboratory activities.

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 are expensed when incurred. Depreciation expense for the nine-month period ended June 30, 2007 and

2006 were $62,927 and $67,397. Depreciation expense for the three-month period ended June 30, 2007 and 2006 were $21,134 and $22,472 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 nine-month periods ended June 30, 2007 and 2006, the Company recorded no patent impairment charges. For the nine months ended June 30, 2007 and 2006, amortization of patent costs totaled $66,320 and $62,746. For the three-month periods ended June 30, 2007 and 2006, amortization of patent costs totaled $23,955 and $20,246 respectively.

Derivative Instruments - The Company enters into financing arrangements that consist of freestanding derivative instruments or are hybrid instruments that contain embedded derivative features. The Company accounts for these arrangements in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS No. 133") and Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", ("EITF 00-19"), as well as related interpretations of these standards. 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 statement of financial position 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. Embedded derivatives that are not clearly and closely

related to the host contract are bifurcated and recognized at fair value with changes in fair value recognized as either a gain or loss in earnings if they can be reliably measured. When the fair value of embedded derivative features can not be reliably measured, the Company measures and reports the entire hybrid instrument at fair value with changes in fair value recognized as either a gain or loss in earnings. 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 and precluding the use of "blockage" discounts or premiums in determining the fair value of a large block of financial instruments. Fair value under these conditions does not necessarily represent fair value determined using valuation standards that give consideration to blockage discounts and other factors that may be considered by market participants in establishing fair value.

Research and Development Grant Revenues - The Company's grant arrangements are handled on a reimbursement basis. Grant revenues under the arrangements are recognized as grant revenue when costs are incurred.

Net Loss per Common Share - Net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Potentially dilutive common stock equivalents, including convertible preferred stock, convertible debt and

options to purchase common stock, were excluded from the calculation because they are antidilutive.

Concentration of Credit Risk - Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents. The Company maintains its cash and cash equivalents with high quality financial institutions. At times, these accounts may exceed federally insured limits. The Company has not experienced any losses in such bank accounts. The Company believes it is not exposed to significant credit risk related to cash and cash equivalents.

Income Taxes - Income taxes are accounted for using the asset and liability method under which deferred tax liabilities or assets are determined based on the difference between the financial statement and tax basis of assets and liabilities (i.e., temporary differences) and are measured at the enacted tax rates. Deferred tax expense is determined by the change in the liability or asset for deferred taxes. The difference in the Company's U.S. Federal statutory income tax rate and the Company's effective tax rate is primarily attributable to the recording of a valuation allowance due to the uncertainty of the amount of future tax benefits that will be realized because it is more likely than not that future taxable income will not be sufficient to realize such tax benefits.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting for derivatives is based upon valuations of derivative instruments determined using various valuation techniques including the Black-Scholes and binomial pricing methodologies. The Company considers such valuations to

be significant estimates.

Asset Valuations and Review for Potential Impairments - The Company reviews its fixed assets every quarter. This review requires that the Company make assumptions regarding the value of these assets and the changes in circumstances that would affect the carrying value of these assets. If such analysis indicates that a possible impairment may exist, the Company is then required to estimate the fair value of the asset and, as deemed appropriate, expense all or a portion of the asset. The determination of fair value includes numerous uncertainties, such as the impact of competition on future value. The Company believes that it has made reasonable estimates and judgments in determining whether its long-lived assets have been impaired; however, if there is a material change in the assumptions used in our determination of fair values or if there is a material change in economic conditions or circumstances influencing fair value, the Company could be required to recognize certain impairment charges in the future.

Stock-Based Compensation - In October 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). This statement encouraged but did not require companies to account for employee stock compensation awards based on their estimated fair value at the grant date with the resulting cost charged to operations. The Company had

elected to continue to account for its employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees and related Interpretations". 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. Using the modified prospective transition method of adoption, the Company reflects compensation expense in the financial statements beginning October 1, 2005. The modified prospective transition method does not require restatement of prior periods to reflect the impact of SFAS No. 123R. As such, 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 June 30, 2007. For the nine months ended June 30, 2007 and 2006, the Company recorded $93,948 and $142,690, 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 no options granted during the nine-month or three-month periods ended June 30, 2007 and 2006. Options are granted with an exercise price equal to the closing bid 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. This method requires several assumptions, including the following assumptions for the options vesting during the nine months ended June 30, 2007.

	June 30, 2007

Volatility	78%
Dividend yield	0%
Risk-free interest rate	5.08%
Expected average life	1 year
Exercise price per option	$0.62

During the nine months ended June 30, 2007, 850,000 options from the non-qualified plan vested, with a weighted average exercise price of $0.68. During the nine months ended June 30, 2007, 33,333 options from the incentive stock option plan vested at a weighted average exercise price of $1.13.

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 Plan. 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 nine months ended June 30, 2007, 646,997 options were exercised. During the three months ended June 30, 2007, 154,998 options were exercised. All options exercised were from the non-qualified plans. The total intrinsic value of options exercised during the nine months ended June 30, 2007 and 2006 was $294,081 and $60,955, respectively. The total intrinsic value of options exercised during the three months ended June 30, 2007 and 2006 was $83,521 and $40,048, respectively.

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 475,000 options granted to non-employees during the nine months ended June 30, 2007, with a value of $33,640 charged to general and administrative expense. In addition, 2,966,300 shares of common stock were issued with a value of $2,153,399. For the nine months ended June 30, 2006, common stock and options with a value of $2,465,039 were issued for services.

B. NEW ACCOUNTING PRONOUNCEMENTS

In July 2006, the FASB issued interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this Interpretation will not have an effect on the financial statements.

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. The Company is evaluating whether this statement will affect its current practice in valuing fair value of its derivatives each quarter.

In September 2006, SAB No. 108 was issued by the Securities and Exchange Commission. The interpretations in the SAB express the SEC staff's views

regarding the process of quantifying financial statement misstatements. Beginning with annual financial statements covering fiscal years ending after November 15, 2006, material misstatements in the current year may result in the need to correct prior year financial statements, even if the misstatement in the prior year or years is considered immaterial. SAB 108 does not require previously filed reports to be amended. Such correction may be made the next time the company files the prior year financial statements. The Company believes that there will not be an impact on its results of operations, cash flows or balance sheet because of this interpretation.

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 is evaluating the effective of the adoption of this statement.

C. STOCKHOLDERS' EQUITY (DEFICIT)

During the nine months ended June 30, 2007, the Company issued stock to two nonemployees in accordance with their respective agreements with a fair value of $156,350. This expense was recorded in general and administrative expense. During the nine months ended June 30, 2006, the Company issued stock or stock options for services to a nonemployee with a fair value of $605,951. The fair value of the options issued during the nine months ended June 30, 2006 was determined using the Black Scholes method with the following assumptions:

	June 30, 2006
Volatility	87%
Dividend yield	0%
Risk-free interest rate	4.33%
Expected average life	5 year
Exercise price per option	$0.55

On January 23, 2007, the Company entered into an agreement with a consulting firm. Per the terms of the agreement the consultant received 200,000 shares of restricted stock on January 29, 2007. This agreement was terminated at the end of March 2007.

D. 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 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 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. The remaining principal balance of $2,075,000 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, 2010. 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 nine-month period ended June 30, 2007, the Company recorded interest expense of $764,776 in amortization of the debt discount. As of June 30, 2007, the fair value of the Series K notes is $3,759,957 and the fair value of the investor and placement agent warrants is $3,467,619. The Company recorded a loss on derivative instruments of $818,580 during the nine months ended June 30, 2007. For the three months ended June 30, 2007, the Company recorded a loss on derivative instruments of $1,090,471.

During the nine months ended June 30, 2007, $4,399,285 in Series K notes were converted into 5,744,764 shares of common stock. In addition, principal payments of $407,500 in cash and $207,500 in stock were made to the holders of the Series K notes. As of June 30, 2007, $3,285,716 of the Series K Notes remained.

E. OPERATIONS AND FINANCING

The Company has incurred significant costs since its inception in connection with the acquisition of an exclusive worldwide license to and later acquisition of the technology 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 FDA approval for the sale of products to be developed on a commercial basis is uncertain. The Company plans to seek continued funding of the Company's development by raising additional capital. It is the opinion of management that sufficient funds will be available from the Series K convertible debt, the April 2007 financing, other external financing and additional capital and/or expenditure reductions in order to meet the Company's liabilities and commitments as they come due during fiscal years 2007 and 2008. Ultimately, the Company must complete the development of its products, obtain the appropriate regulatory approvals and obtain sufficient revenues to support its cost structure. See Note H for information on a financing completed on April 18, 2007.

F. COMMITMENTS AND CONTINGENCIES

During fiscal year 2005, the Company was involved in a restatement of the Company's prior year financials, a time when Deloitte & Touche LLP (D&T) was the Company's auditor. For its work in the restatement, D&T presented the Company with an invoice of approximately $350,000 in October 2006. In prior discussions with D&T, the Company's Audit Committee had repeatedly

requested detailed information regarding this bill which D&T failed to give. The Company's Audit Committee and Board of Directors are unable to review the appropriateness of this invoice without the detailed information that it has repeatedly requested. This invoice was not included in the Company's liabilities because the Company does not believe that it represents a real claim against the Company.

G. FDA GO-AHEAD FOR PHASE III TRIAL

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.

On June 6, 2007 the Company signed a 20 year lease with a single-purpose affiliate of BioRealty, Inc. ("BRI") for a Multikine manufacturing facility to be built to the Company's specifications. With the signing of the operating lease the Company paid $3,150,000 as a tenant improvement contribution which will be repaid to the Company with interest between years 6 and 20 of the lease. On August 8, 2007 BRI acquired the specific building in Baltimore, MD for which the lease was signed. This building will now be built out as the Company's Multikine manufacturing facility for Phase III clinical trials and eventual sales of Multikine. Lease payments will start for the ensuing 20 years when the facility is completed and turned over to CEL-SCI.

Regulatory authorities prefer to see biologics such as Multikine produced in the same manufacturing facility for Phase III clinical trials and the

sale of the product because this arrangement helps to ensure that the drug lots used to conduct the clinical trials will be consistent with those that will be marketed subsequent to approval. Although some biotechnology companies outsource their manufacturing, this can be risky with biologics because biologics 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 its own specially trained personnel.

H. NEW FINANCING

On April 18, 2007, the Company announced a $15 million financing. Shares were sold at $0.75, a premium over the closing price of the last two weeks. The financing was accompanied by 10 million warrants with an exercise price of $0.75 and 10 million warrants with an exercise price of $2.00. The shares were registered in May 2007. The funds will allow the Company to move forward as planned to start the Phase III clinical trial in first line advanced primary head and neck cancer.

The financing resulted in the issuance of 19,999,998 shares to the investors. The warrants issued with the financing qualified for equity treatment. The Series L warrants were recorded as a debit and a credit to

additional paid-in capital at a value of $5,164,355 and the Series M warrants were recorded as a debit and a credit to additional paid-in capital at a fair value of $434,300.

As a result of the financing, and in accordance with the original Series K agreement, the Series K conversion price of the shares were repriced to $0.75 from the original $0.86 and the warrants were repriced to $0.75 from the original $0.95. The Series K convertible debt and warrants were revalued with the new conversion price and were adjusted to their new fair value at June 30, 2007.

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.

During the nine-month period ended June 30, 2007 and 2006, the Company provided cash totaling $11,372,571 and ($596,671), respectively. Cash used in operating activities totaled $3,999,696 and $2,902,966 for each of the nine-month periods. Cash provided by financing activities totaled $15,539,696 and $2,378,650, respectively. For the nine months ended June 30, 2007, the cash provided by financing activities was from the April 2007 financing and the exercise of stock options. Cash used in financing activities was for repayment of convertible notes ($407,500) and financing costs ($10,170). For the nine months ended June 30, 2006, cash provided by financing activities was from: 1) the exercise of employee stock options ($700,923), 2) drawdowns on the equity line of credit ($677,727) and 3) a private financing totaling $1,000,000. Cash used in investing activities was $167,429 and $72,355 for the nine months ended June 30, 2007 and 2006. This consisted of purchases of equipment and legal costs incurred in patent applications.

On December 1, 2003, the Company sold 2,994,964 shares of its common stock to a group of private institutional investors for approximately $2,550,000, or $0.85 per share. As part of this transaction, the investors in the private offering received warrants which allow the investors to purchase approximately 900,000 shares of the Company's common stock at a price of $1.32 per share at any time prior to December 1, 2006. On December 1, 2006, 549,827 warrants expired leaving 441,176 warrants remaining that expire on December 1, 2007.

On May 4, 2004, the Company announced the completion of an offering of 6,402,439 shares of registered common stock at $0.82 per share to one institutional investor. This sale resulted in gross proceeds of $5.25 million and associated costs of $498,452. The stock was offered pursuant to an existing shelf registration statement and Wachovia Capital Markets, LLC acted as the placement agent for the offering. The Company used the proceeds of the offering to advance the clinical development of Multikine for the treatment of cancer. In addition, 76,642 warrants were issued to Wachovia at a price of $1.37 and the warrants expire May 4, 2009. The warrants were valued using the Black-Scholes valuation

method and an expense of $38,127 was recorded to additional paid-in capital as a cost of equity related transaction during the fiscal year ended September 30, 2004.

During the nine-month period ended June 30, 2006, the Company made drawdowns on a previous equity line of credit totaling $677,727, selling 1,419,446 shares of common stock. This equity line of credit expired on December 29, 2005.

On February 9, 2006, CEL-SCI sold 2,500,000 shares of its common stock and 750,000 warrants to one investor for $1,000,000. Each warrant entitles the holder to purchase one share of CEL-SCI's common stock at a price of $0.56 per share at any time prior to February 9, 2011. The warrants were valued at $238,986. In addition, 441,176 warrants previously issued to the investor were repriced and extended for one year. The revaluing of the warrants was valued at $76,122. In addition, on May 18, 2006, 800,000 unregistered warrants were issued to the same investor at a strike price of $0.82. These warrants were valued

using the Black Scholes method at $416,921 and expire 5 years from the date of issuance.

On April 17, 2006, 800,000 unregistered warrants were issued to an investor with a strike price of $1.25 per share. These warrants were valued at $460,920 using the Black Scholes method and expire in August of 2008. An additional 100,000 unregistered warrants were issued to a group of consultants on April 12, 2006. These warrants were valued at $79,976 using the Black Scholes method and expire in April 2009. Another consultant group was issued 375,000 unregistered shares of CEL-SCI Corporation common stock and 375,000 unregistered warrants to purchase additional shares at $0.73. These warrants expired March 31, 2007 and were valued at $58,005 using the Black Scholes method.

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 Series K Notes were originally convertible into 9,651,163 shares of the Company's common stock at the option of the holder at any time prior to maturity at a conversion price of $0.86 per share, subject to adjustment for certain events. One of these events occurred on April 18, 2007, when the Company completed a $15 million financing in which the shares were valued at $0.75. This event requires the reset of the conversion share price to $0.75. The Series K Warrants are exercisable over a five-year period from February 4, 2007 through February 4, 2012 and were also reset to $0.75 per share from $0.95 per share.

The Series K Notes bear interest at the greater of 8% or 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. The remaining principal balance of $2,075,000 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, 2010. 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 nine-month period ended June 30, 2007, the Company recorded interest expense of $1,107,251 in amortization of the debt discount. As of June 30, 2007, the fair value of the Series K notes is $3759,957 and the fair value of the investor and placement agent warrants is $3,467,619.

The Company recorded a loss on derivative instruments of $818,580 during the nine months ended June 30, 2007. For the three months ended June 30, 2007, the Company recorded a loss on derivative instruments of $1,090,471.

During the nine months ended June 30, 2007, $4,399,285 in Series K notes were converted into 5,744,764 shares of common stock. In addition, principal payments of $407,500 in cash and $207,500 in stock were made to the holders of the Series K notes.

On April 18, 2007, the Company announced a $15 million financing. Shares were sold at $0.75, a premium over the closing price of the last two weeks. The financing is accompanied by 10 million warrants with an exercise price of $0.75 and 10 million warrants with an exercise price of $2.00. The shares were registered in May 2007. The funds will allow the Company to move forward as planned to start the Phase III clinical trial in first line advanced primary head and neck cancer.

As a result of the financing, and in accordance with the original Series K agreement, the Series K conversion price of the shares were repriced to $0.75 from the original $0.86 and the warrants were repriced to $0.75 from the original $0.95.

The financing resulted in the issuance of 19,999,998 shares to the investors. The financing did not qualify as a derivative equity, so there is no fair value accounting required for the stock issuance. The Series L warrants were recorded as a debit and a credit to additional paid-in capital at a value of $5,164,355 and the Series M warrants were recorded as a debit and a credit to additional paid-in capital at a value of $434,300.

Results of Operations and Financial Condition

"Grant revenues and other" decreased by $74,591 during the nine months ended June 30, 2007, compared to the same period of the previous year, due to the winding down of the work funded by the grants. During the three-month period ended June 30, 2007, grant revenues and other decreased by $39,708 from the three months ended June 30, 2006. The grant ended on March 31, 2007.

During the nine-month period ended June 30, 2007, research and development expenses increased by $527,048 compared to the nine-month period ended June 30, 2006. This increase was due to work on two new CEL-1000 projects and the use of lab supplies in the preparation for the beginning of the Phase III trials on Multikine. During the three-month period ended June 30, 2007, research and development expenses increased by $203,771 because of the beginning of work on the Phase III trials on Multikine.

During the nine-month period ended June 30, 2007, general and administrative expenses increased by $3,119,649 compared to the nine-month period ended June 30, 2006. This change was primarily due to: 1) Increased public relations, presentations and strategic consulting agreements by $3,048,006; 2) additional accounting fees for the valuation of the Series K Notes and Warrants (approximately $112,201), 3) issuance of shares of common stock in accordance with an agreement with two consultants ($158,701) and, 4) increased traveling by Company employees ($37,218). This was partially offset by a reduction in other accounting costs incurred in 2006 for the restatement of the Company's financial statements (approximately $300,457). During the three-month period ended June 30, 2007, general and administrative expenses increased by $2,231,405 compared to the three-month period ended June 30, 2006.

Interest income during the nine months ended June 30, 2007 increased by $329,574 compared to the nine-month period ended June 30, 2006. The increase was due to interest earned on the funds received from the Series K convertible notes and the April 2007 financing. During the three months ended June 30, 2007, interest income increased by $180,311.

The loss on derivative instruments of $818,580 for the nine months ended June 30, 2007, was the result of the change in fair value of the Series K Notes and Series K Warrants during the period. For the three months ended June 30, 2007, there was a loss on derivative instruments of $1,090,471, again caused by the change in fair value of the Series K Notes and Series K Warrants during the period.

The interest expense of $1,566,638 for the nine months ended June 30, 2007 was composed of two elements: 1) amortization of the Series K discount ($1,107,251) and 2) interest paid and accrued on the Series K warrants ($459,387).

Research and Development Expenses

During the nine-month and three-month periods ended June 30, 2007 and 2006, 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 nine and three-month periods.

	Nine Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
MULTIKINE	$1,583,032	$1,120,673	$490,896	$367,741
L.E.A.P.S	234,859	170,170	81,972	61,356
TOTAL	$1,817,891	$1,290,843	$572,868	$429,097

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 June 30, 2007, 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. Consequently, the Company cannot predict with any certainty the funds required for future research and clinical trials and the timing of future research and development projects. In April 2006, the Company filed a provisional U.S. patent application covering CEL-1000 for the prevention/treatment of bird flu and/or as an adjuvant to be included in a bird flu vaccine.

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.

On June 6, 2007 the Company signed a 20 year lease with a single-purpose affiliate of BioRealty, Inc. ("BRI") for a Multikine manufacturing facility to be built to the Company's specifications. With the signing of the operating lease the Company paid $3,150,000 as a tenant improvement contribution which will be repaid to the Company with interest between years 6 and 20 of the lease. On August 7, 2007 BRI acquired the specific building in Baltimore, MD for which the lease was signed. This building will now be built out as the Company's Multikine manufacturing facility for Phase III clinical trials and eventual sales of Multikine. Lease payments will start for the ensuing 20 years when the facility is completed and turned over to CEL-SCI.

Regulatory authorities prefer to see biologics such as Multikine produced in the same manufacturing facility for Phase III clinical trials and the sale of the product because this arrangement helps to ensure that the drug lots used to conduct the clinical trials will be consistent with those that will be marketed subsequent to approval. 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 Policies - The Company's significant accounting policies are more fully described in Note A to the condensed consolidated financial statements. However certain accounting policies are particularly important to the portrayal of financial position and results of operations and require the application of significant judgments by management. As a result, the condensed consolidated financial statements are subject to an inherent degree of uncertainty. In applying those policies, management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. These estimates are based on the Company's historical experience, terms of existing contracts, observance of trends in the industry and information available from outside sources, as appropriate. Our significant accounting policies include:

Patents - Patent expenditures are capitalized and amortized using the straight-line method over 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.

Derivative Instruments - The Company enters into financing arrangements that consist of freestanding derivative instruments or are hybrid instruments that contain embedded derivative features. The Company accounts for these

arrangements in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS No. 133") and Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", ("EITF 00-19"), as well as related interpretations of these standards. 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 statement of financial position 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. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and recognized at fair value with changes in fair value recognized as either a gain or loss in earnings if they can be reliably measured. When the fair value of embedded derivative features can not be reliably measured, the Company measures and reports the entire hybrid instrument at fair value with changes in fair value recognized as either a gain or loss in earnings. 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 and precluding the use of "blockage" discounts or premiums in determining the fair value of a large block of financial instruments. Fair value under these conditions does not necessarily represent fair value determined using valuation standards that give consideration to blockage discounts and other factors that may be considered by market participants in establishing fair value.

Stock Options and Warrants - In October 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). This statement encourages but does not require companies to account for employee stock compensation awards based on their estimated fair value at the grant date with the resulting cost charged to operations. The Company had elected to continue to

account for its employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. 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. The Company determines the fair value of the employee compensation using the Black Scholes method of valuation. Using the modified prospective transition method of adoption, the Company reflects compensation expense in the financial statements beginning October 1, 2005. The modified prospective transition method does not require restatement of prior periods to reflect the impact of SFAS No. 123R. As such, compensation expense will be 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 June 30, 2007. For the nine months ended June 30, 2007 and 2006, the Company recorded $93,948 and $142,690 in general and administrative expense for the cost of employee options. The Company determines the fair value of the employee compensation using the Black Scholes method of valuation.

Concentration of Credit Risk - Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents. The Company maintains its cash and cash equivalents with high

quality financial institutions. At times, these accounts may exceed federally insured limits. The Company has not experienced any losses in such bank accounts. The Company believes it is not exposed to significant credit risk related to cash and cash equivalents.

Income Taxes - Income taxes are accounted for using the asset and liability method under which deferred tax liabilities or assets are determined based on the difference between the financial statement and tax basis of assets and liabilities (i.e., temporary differences) and are measured at the enacted tax rates. Deferred tax expense is determined by the change in the liability or asset for deferred taxes. The difference in the Company's U.S. Federal statutory income tax rate and the Company's effective tax rate is primarily attributable to the recording of a valuation allowance due to the uncertainty of the amount of future tax benefits that will be realized because it is more likely than not that future taxable income will not be sufficient to realize such tax benefits.

Asset Valuations and Review for Potential Impairments - The Company reviews its fixed assets every fiscal quarter. This review requires that the Company make assumptions regarding the value of these assets and the changes in circumstances that would affect the carrying value of these assets. If such analysis indicates that a possible impairment may exist, the Company is then required to estimate the fair value of the asset and, as deemed appropriate, expense all or a portion of the asset. The determination of fair value includes numerous uncertainties, such as the impact of competition on future value. The Company believes that it has made reasonable estimates and judgments in determining whether our long-lived assets have been impaired; however, if there is a material change in the assumptions used in our determination of fair values or if there is a material change in economic conditions or circumstances influencing fair value, the Company could be required to recognize certain impairment charges in the future.

Inventory - Inventory consists of bulk purchases of laboratory supplies used on a daily basis in the lab and items that will be used for future production. The items in inventory are expensed when used in production or daily activity as R&D expenses. These items are disposables and consumables and can be used for both the manufacturing of Multikine for clinical studies and in the laboratory for quality control and bioassay use. They can be used in training, testing and daily laboratory activities.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As of June 30, 2007, 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. The interest rate risk on investments is considered immaterial due to the fact that all investments have maturities of three months or less.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Geert Kersten, CEL-SCI's Chief Executive and Financial Officer, has evaluated the effectiveness of CEL-SCI's disclosure controls and procedures as of June 30, 2007, and in his opinion CEL-SCI's disclosure controls and procedures are effective and ensure that material information relating to CEL-SCI, including

CEL-SCI's consolidated subsidiary, is made known to him by others within those entities, particularly during the period in which this report is being prepared, so as to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

To the knowledge of Mr. Kersten, there have been no significant changes in CEL-SCI's internal controls or in other factors that could significantly affect CEL-SCI's internal controls subsequent to the date of evaluation, and as a result, no corrective actions with regard to significant deficiencies or material weakness in CEL-SCI's internal controls were required.

PART II

Item 2. Changes in Securities and Use of Proceeds

During the nine months ended June 30, 2007, the Company issued 172,500 shares of its common stock to two investors in accordance with the terms of their agreements with the Company. The Company relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 for the issuance of these shares.

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

See Item 4 of the Company's report on Form 10-K for the year ended September 30, 2006.

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: August 13, 2007 /s/ Geert Kersten

Geert Kersten, Chief Executive Officer*

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