CEL SCI CORP
Form 10-Q/A
February 27, 2002

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

FORM 10-Q/A

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

For the quarterly period ended December 31, 2001

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 __________

Class of Stock	No. Shares Outstanding	Date
Common	25,365,688	February 14, 2002

EXPLANATORY NOTE:

This amendment on Form 10-Q/A amends the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2001, as filed by the Registrant on February 19, 2002, and is being filed to reflect the restatement of the Registrant's unaudited condensed consolidated financial statements (see Note D to the unaudited condensed consolidated financial statements).

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Item 1. FINANCIAL STATEMENTS

CEL-SCI CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(unaudited)

	December 31, 2001 (AS RESTATED, SEE NOTE D)	September 30, 2001
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,475,572	$ 1,783,990
Investments, net	--	593,384
Interest and other receivables	25,918	40,376
Prepaid expenses	363,108	866,058
Current portion of deferred financing costs	474,305	--
Total Current Assets	3,338,903	3,283,808
RESEARCH AND OFFICE EQUIPMENT- Less accumulated depreciation of $1,904,831 and $1,864,182	592,614	620,608
DEPOSITS	139,828	139,828
DEFERRED FINANCING COSTS	92,805	--
PATENT COSTS- less accumulated amortization of $636,689 and $623,235	456,246	464,676
	$ 4,620,396	$ 4,508,920

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY
(unaudited)

	December 31, 2001 (AS RESTATED, SEE NOTE D)	September 30, 2001
CURRENT LIABILITIES:		
Accounts payable	$ 1,114,155	$ 476,509
Other current liabilities	74,500	--
Total current liabilities	1,188,655	476,509
NOTE PAYABLE (See Note C)	737,500	--
CONVERTIBLE NOTES (See Note C)	--	--
DEFERRED RENT	29,818	31,218
Total liabilities	1,955,973	507,727
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Series E cumulative convertible redeemable preferred stock, $.01 par value, $1,000 liquidation value - authorized 6,288; issued and outstanding, 4,847 and 5,863 shares at December 31, 2001 and September 30, 2001, respectively	48	59
Common stock, $.01 par value; authorized, 100,000,000 shares; issued and outstanding, 23,525,080 and 21,952,082 shares at December 31, 2001 and September 30, 2001, respectively	235,251	219,521
Additional paid-in capital	77,204,437	75,641,365
Unearned compensation	(14,788)	(19,636)
Net unrealized loss on investments	--	(210)
Accumulated Deficit	(74,760,525)	(71,839,906)
TOTAL STOCKHOLDERS' EQUITY	2,664,423	4,001,193
	$ 4,620,396	$ 4,508,920

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended December 31, 2001 (AS RESTATED, SEE NOTE D)	Three Months Ended December 31, 2000
REVENUES:		
Interest income	$ 25,337	$ 183,211
Other income	150,907	66,597
TOTAL INCOME	176,244	249,808
EXPENSES:		
Research and development	2,438,216	2,071,107
Depreciation and amortization	56,526	49,079
General and administrative	564,622	673,111
TOTAL OPERATING EXPENSES	3,059,364	2,793,297
OPERATING LOSS	2,883,120	2,543,489
INTEREST EXPENSE	37,500	--
NET LOSS	2,920,620	2,543,489
ACCRUED DIVIDENDS ON PREFERRED STOCK	81,416	--
ACCRETION OF BENEFICIAL CONVERSION FEATURE ON PREFERRED STOCK	579,695	--
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 3,581,731	$ 2,543,489
LOSS PER COMMON SHARE (BASIC)	$ 0.16	$ 0.12
LOSS PER COMMON SHARE (DILUTED)	$ 0.16	$ 0.12
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	22,799,002	20,459,913

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

	Three Months Ended December 31, 2001 (AS RESTATED, SEE NOTE D)	Three Months Ended December 31, 2000
NET LOSS	$ (2,920,620)	$ (2,543,489)
OTHER COMPREHENSIVE LOSS -		
Unrealized gain (loss) on investments	--	(28,617)
COMPREHENSIVE LOSS	$ (2,920,620)	$ (2,572,106)

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited)

	Three Months Ended December 31, 2001 (AS RESTATED, SEE NOTE D)	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET LOSS	$(2,920,620)	$(2,543,489)
Adjustments to reconcile net loss to net cash used in operating activities:		--
Depreciation and amortization	56,526	49,079
Issuance of common stock for services	105,877	--
Stock issued to 401(k)	22,431	27,391
Stock bonus granted to officer	75,071	--
Repriced options	(206,568)	--
Amortization of discount on note payable	37,500	--
R&D expenses paid with note payable	700,000	--
Issuance of stock options for services	24,513	--
Impairment of patents	5,816	
Realized loss on investments	2,710	--
Decrease in receivables	14,458	9,606
Decrease (increase) in prepaid expenses	502,950	(603,713)
Increase in advances	--	(20,204)
Increase in other current liabilities	74,500	--
Decrease in deferred rent	(1,400)	--
Increase (decrease) in accounts payable	480,535	(57,569)
NET CASH USED IN OPERATING ACTIVITIES	(1,025,701)	(3,138,899)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITY:		
Sales of investments	590,885	--
Purchase of research and office equipment	(1,218)	(38,813)
Patent costs	(6,779)	(18,524)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITY	582,888	(57,337)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Cash proceeds from issuance of common stock	150,000	--
Cash proceeds from drawdown on equity line	298,895	--
Proceeds from convertible notes	800,000	--
Transaction costs related to convertible notes	(114,500)	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,134,395	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	691,582	(3,196,236)
CASH AND CASH EQUIVALENTS:		
Beginning of period	1,783,990	6,909,263
End of period	$ 2,475,572	$ 3,713,027

See notes to condensed consolidated financial statements. (continued)

CEL-SCI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited)
(continued)

	Three Months Ended December 31, 2001 (AS RESTATED, SEE NOTE D)	Three Months Ended December 31, 2000
SUPPLEMENTAL INFORMATION ON NONCASH TRANSACTIONS:		
Conversion of preferred stock to common stock		
Decrease in Preferred Stock	$ (10)	$ --
Decrease in additional paid-in capital	(9,265)	--
Increase in common stock	9,275	--
	$ --	$ --
Accrual of dividends on preferred stock		
Increase in accounts payable	$ 81,416	$ --
Decrease in additional paid-in capital	(81,416)	--
	$ --	$ --
Common stock issued in lieu of cash dividends		
Decrease in accounts payable	$ (13,336)	$ --
Increase in common stock	1,222	--
Increase in additional paid-in capital	12,114	$ --
	$ --	$ --
Changes in unearned compensation for variable options		
Decrease in additional paid-in capital	$ 4,848	$ --
Decrease in unearned compensation	(4,848)	--
	$ --	$ --
Accretion for the beneficial conversion on the preferred stock		
Increase in additional paid-in capital	$ 579,695	$ --
Decrease in additional paid-in capital	(579,695)	--
	$ --	$ --
Purchase of research and office equipment, patent costs and costs for convertible notes included in accounts payable		
Increase in accounts payable	$ 89,031	$ --
Increase in research and office equipment	(11,437)	--

Increase in patents	(6,484)	--
Increase in deferred financing costs	(71,110)	--
	$ --	$ --

(concluded)

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000
(unaudited)

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, 2001.

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 December 31, 2001 and the results of operations for the three-month period then ended. The condensed consolidated balance sheet as of September 30, 2001 is derived from the September 30, 2001 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 three-month period ended December 31, 2001 are not necessarily indicative of the results to be expected for the entire year.

Principles of Consolidation

The consolidated financial statements include the accounts of CEL-SCI Corporation and its wholly owned subsidiary, Viral Technologies, Inc. All significant intercompany transactions have been eliminated upon consolidation.

Investments

Investments that may be sold as part of the liquidity management of the

Company or for other factors are classified as available-for-sale and are carried at fair market value. Unrealized gains and losses on such securities are reported as a separate component of stockholders' equity. Realized gains and losses on sales of securities are reported in earnings and computed using the specific identified cost basis.

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 terms of the lease. Repairs and maintenance are expensed when incurred.

Research and Development Costs

Research and development expenditures are expensed as incurred. The Company has an agreement with an unrelated corporation for the production of MULTIKINE, which is the Company's only product source.

Research and Development Grant Revenues

The Company's grant arrangements are handled on a reimbursement basis. Grant revenues under the arrangements are recognized as other income when costs are incurred.

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. During the quarter ended December 31, 2001, the Company recorded patent impairment charges of $5,816 for the net book value of patents abandoned during the quarter and such amount is included in general and administrative expenses. There were no impairment charges for the corresponding quarter of 2000.

Loss per Share

Net loss per common share is computed by dividing the net loss, after increasing the loss for the effect of any accrued dividends on the preferred stock and the accretion of the beneficial conversion feature related to the preferred stock, by the weighted average number of common shares outstanding during the period. Potentially dilutive common shares, including convertible preferred stock and options to purchase common stock, were excluded from the calculation because they are antidilutive.

Prepaid Expenses

The majority of prepaid expenses consist of manufacturing production advances and bulk purchases of laboratory supplies to be consumed in the manufacturing of the Company's product for clinical studies.

CEL-SCI CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000
(unaudited)
(continued)

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.

Reclassifications

Certain reclassifications have been made to the December 31, 2000 financial statements to conform with the current year presentation.

B. STOCKHOLDERS' EQUITY

During the quarter ended December 31, 2001, the Company issued 150,000 units at $1.00 to a private investor. Each unit consists of one share of common stock and 1/2 warrant. Each warrant allows the holder to purchase one share of common stock at $1.50 per share at any time prior to October 5, 2004. Also during the quarter, 75,071 shares of common stock were issued to an employee from the Company's stock bonus plan.

During August 2001, three private investors exchanged shares of the company's common stock and remaining Series D Warrants, which they owned, for 6,288 shares of the Company's Series E Preferred Stock. These investors also exchanged their Series A and Series C Warrants from prior offerings for new Series E Warrants. The preferred shares are entitled to receive cumulative annual dividends in an amount equal to $60 per share and have liquidation preferences equal to $1,000 per share. Each Series E Preferred share is convertible into shares of the Company's common stock on the basis of one Series E Preferred share for shares of common stock equal in number to the amount determined by dividing $1,000 by the lesser of $5 or 93% of the average closing bid prices (Conversion Price) of the Company's common stock for the five days prior to the date of each conversion notice. The lowest price at which the Series E Preferred stock can be converted is $1.08. The Series E Preferred stock has no voting rights and is redeemable at the Company's option at a price of 120% plus accrued dividends until August 2003 when the redemption price will be fixed at 100%. During the quarter, 1,016 preferred shares were converted into 927,501 shares of common stock at prices ranging from $1.08 to $1.16 per share. In addition, 12,215 shares of common stock were issued at the same prices in lieu of cash for dividends on the preferred stock. As of December 31, 2001, 4,847 shares of Preferred stock remained outstanding. As of February 15, 2002, 3,843 shares of Preferred stock remained outstanding.

CEL-SCI CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000
(unaudited)
(continued)

C. FINANCING TRANSACTIONS

In December 2001, the Company agreed to sell redeemable convertible notes and Series F warrants, to a group of private investors for proceeds of $1,600,000. Pursuant to the agreement, the Company incurred total transaction costs of $245,610 of which $185,610 is included in deferred financing costs in the accompanying balance sheet as of December 31, 2001 and is being amortized to interest expense over a two-year period. The notes bear interest at 7% per year and are due and payable on December 31, 2003. Interest is payable quarterly beginning July 1, 2002. The notes are secured by substantially all of the Company's assets and contain certain restrictions, including limitations on such items as indebtedness, sales of common stock and payment of dividends. The notes are convertible into shares of the Company's common stock at the holder's option determinable by dividing each $1,000 of note principal by 76% of the average of the three lowest daily trading prices of the Company's common stock on the American Stock Exchange during the twenty trading days immediately prior to the closing date. In addition, the notes are required to be redeemed by the Company at 130% of the outstanding principal balance upon certain occurrences. Proceeds of $800,000 were received on December 31, 2001 and the second half of the proceeds was received in January 2002. The Series F warrants initially allowed the holders to purchase up to 960,000 shares of the Company's common stock at a price of $0.95 per share at any time prior to December 31, 2008. In accordance with the terms of the warrants, the exercise price was adjusted to $0.65 per share on January 17, 2002. Every three months after January 17, 2002, the warrant exercise price will be adjusted to an amount equal to 110% of the conversion price on such date, provided that the adjusted price is lower than the warrant exercise price on that date.

The entire balance of the convertible notes as of December 31, 2001 is offset by a discount of $800,000 which represents half of the relative fair value of the Series F warrants of $381,500 and a beneficial conversion discount of $418,500. The remaining half of the fair value of the warrants of $381,500 is included in deferred financing costs in the accompanying consolidated balance sheet as of December 31, 2001. The discount on convertible notes will be amortized to interest expense over a two-year period. The amount of warrants included in deferred financing costs will not be amortized and is expected to be reclassified to the discount on convertible notes upon receipt of the second half of the proceeds in January 2002, at which time it will be amortized to interest expense over a two-year period.

On November 15, 2001, the Company signed an agreement with Cambrex Bioscience, Inc. ("Cambrex") in which Cambrex provided manufacturing space and support to the Company during November and December 2001 and January 2002. In exchange, the Company has signed a note with Cambrex to pay a total of $1,159,000 to Cambrex. As shown in the condensed consolidated balance sheet, $1,000,000 of this liability was recorded at December 31, 2001 along with an unamortized discount of $262,500 representing imputed interest. The

balance will be recorded when incurred in January 2002. The note was payable on November 15, 2002. In December 2001, the note was amended to extend the due date to January 2, 2003. Unpaid principal will begin accruing interest on November 16, 2002 and carries an interest rate of the Prime Rate plus 3%. The note is collateralized by certain laboratory equipment.

In April 2001, the Company signed an equity line of credit agreement with Paul Revere Capital Partners. Under the agreement, Paul Revere Capital Partners has agreed to provide the Company with up to $10,000,000 of funding prior to June 22, 2003. During this twenty-four month period, the Company may request a drawdown under the equity line of credit by selling shares of its common stock to Paul Revere Capital Partners and they will be obligated to purchase the shares. The Company may request a drawdown once every 22 trading days, although the Company is under no obligation to request any drawdowns under the equity line of credit.

D. RESTATEMENT

Subsequent to the issuance of its condensed consolidated financial statements for the three-month period ended December 31, 2001, the Company determined that it had incorrectly accounted for imputed interest in relation to the note payable to Cambrex Bioscience and accrued dividends on preferred stock during the period ended December 31, 2001. In addition, the Company identified preparation errors related to the condensed consolidated statement of cash flows for the three-month period ended December 31, 2001. These transactions are discussed in the following paragraphs.

Note Payable to Cambrex - The Company originally recorded imputed interest related to the note payable to Cambrex in prepaid expenses. The Company also originally recorded the note payable at face value. The Company has subsequently determined that the imputed interest should have been recorded as a discount on the note payable and amortized to interest expense over the life of the note payable.

Statements of Cash Flow - The Company originally included noncash transactions in the statements of cash flow relating to the fair value of warrants included in deferred financing costs and the discount on convertible debt. The Company also included certain noncash investing and financing activities in adjustments to reconcile net cash used in operating activities. The Company subsequently determined that these noncash items should not have been included in the condensed consolidated statements of cash flow. See supplemental disclosures on noncash transactions on page 8.

Significant Effects of Restatement - As a result, the accompanying condensed consolidated financial statements as of December 31, 2001 and for the three-month period then ended have been restated from previously reported amounts to correct the recording of these items. A summary of the significant effects of the restatement is as follows:

CEL-SCI CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000
(unaudited)
(continued)

Condensed Consolidated Balance Sheet
As of December 31, 2001

	AS PREVIOUSLY REPORTED	AS RESTATED
Prepaid expenses	$ 663,108	$ 363,108
Total current assets	3,638,903	3,338,903
Total assets	4,920,396	4,620,396
Note payable	1,000,000	737,500
Total liabilities	2,218,473	1,955,973
Accumulated deficit	(74,723,025)	(74,760,525)

Condensed Consolidated Balance Sheet
As of December 31, 2001, continued

Total stockholders' equity	2,701,923	2,664,423
Total liabilities and stockholders' equity	4,920,396	4,620,396

Condensed Consolidated Statements of Operation
For the period ended December 31, 2001

	AS PREVIOUSLY REPORTED	AS RESTATED
Interest expense	$ -	$ 37,500
Net loss	2,883,120	2,920,620
Accrued dividends on preferred stock	68,080	81,416
Net loss attributable to common stockholders	3,530,895	3,581,731
Basic and diluted net loss per common share	0.15	0.16

Condensed Consolidated Statement of Comprehensive Loss
For the period ended December 31, 2001

	AS PREVIOUSLY REPORTED	AS RESTATED
Comprehensive loss	$ 2,883,120	$ 2,920,620

CEL-SCI CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000
(unaudited)
(continued)

Condensed Consolidated Statements of Cash Flow
For the period ended December 31, 2001

	AS PREVIOUSLY REPORTED	AS RESTATED
Amortization of discount on note payable	$ -	$ 37,500
Deferred financing costs	381,500	-
Repriced options	(211,416)	(206,568)
R&D expenses paid with note payable	1,000,000	700,000
Decrease (increase) in prepaid expenses	202,950	502,950
Increase (decrease) in accounts payable	637,646	480,535
Net cash used in operating activities	(491,938)	(1,025,701)
Sales of investments	590,674	590,885
Purchase of research and office equipment	(12,655)	(1,218)
Patent costs	(13,263)	(6,779)
Net cash provided by investing activities	564,756	582,888
Discount on convertible notes	(800,000)	-
Transaction costs related to convertible notes	169,869	(114,500)
Net cash provided by financing activities	618,764	1,134,395

CEL-SCI CORPORATION

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

Liquidity and Capital Resources

As discussed in Note D to the condensed consolidated financial statements, the condensed consolidated financial statements as of and for the three months ended December 31, 2001 have been restated. As discussed in Note D, the following discussion and analysis gives effect to the restatement.

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 exclusive rights to certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system, the funding of Viral Technologies, Inc.'s (VTI) research and development program, 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 is mostly dependent upon short-term borrowings and the proceeds from the sale of its securities to meet all of its liquidity and capital resource requirements.

In June 2000, the Company entered into an agreement with Cambrex Bioscience, Inc. ("Cambrex") whereby Cambrex agreed to provide the Company with a facility which will allow the Company to manufacture Multikine in accordance with the Good Manufacturing Practices regulations of the FDA. Company personnel will staff this facility. The Company has the right to extend the term of its agreement with Cambrex until December 31, 2006. In November 2001, the Company gave a promissory note to Cambrex. The promissory note is in the principal amount of $1,159,000 and represents the cost of the Company's use of the Cambrex manufacturing facility for November and December 2001 and through January 10, 2002. As shown in the condensed consolidated balance sheet, $1,000,000 of this liability was recorded at December 31, 2001, along with an unamortized discount of $262,500 representing imputed interest. The balance will be recorded when incurred in January 2002. The Company expects that its short-term need for MULTIKINE will be complete by January 10, 2002 and as a result the Company will not incur the expense associated with the use of the Cambrex facility after that date. The amount borrowed from Cambrex is due and payable on January 2, 2003. Beginning November 16, 2002, the note will bear interest at the prime interest rate plus 3%, is adjusted monthly, and is secured by the equipment used by the Company to manufacture MULTIKINE.

In April, 2001, the Company signed an equity line of credit agreement that allows the Company at its discretion to draw up to $10 million of funding prior to June 22, 2003. During this period, the Company may request a drawdown under the equity line of credit by selling shares of its common stock to Paul Revere Capital Partners and Paul Revere Capital Partners will be obligated to purchase the shares. The Company may request a drawdown once every 22 trading days, although the Company is under no obligation to request drawdowns under the equity line of credit. During the 22 trading days following a drawdown request, the Company will calculate the number of shares it will sell to Paul Revere Capital Partners and the purchase price per share. The purchase price per share of common stock will be based on the daily volume weighted average price of the Company's common stock during each of the 22 trading days immediately following the drawdown date, less a discount of 11%.

In December 2001 and January 2002, the Company sold convertible notes, plus Series F warrants, to a group of private investors for $1,600,000. The notes bear interest at 7% per year, are due and payable on December 31, 2003 and are secured by substantially all of the Company's assets. Interest is payable quarterly except that the first interest payment is not due until July 1, 2002. If the Company fails to make any interest payment when due, the notes will become immediately due and payable.

At the holder's option the notes are convertible into shares of the Company's common stock equal in number to the amount determined by dividing each $1,000 of note principal to be converted by the Conversion Price. The Conversion Price is 76% of the average of the three lowest daily trading prices of the Company's common stock on the American Stock Exchange during the 20 trading days immediately prior to the conversion date. The Conversion Price may not be less than $0.57. However, if the Company's common stock trades for less than $0.57 per share for a period of 20 consecutive trading days, the $0.57 minimum price will no longer be applicable.

The Series F warrants initially allowed the holders to purchase up to 960,000 shares of the Company's common stock at a price of $0.95 per share at any time prior to December 31, 2008. On January 17, 2002 the warrant exercise price, in accordance with the terms of the warrants, was adjusted to $0.65 per share. Every three months after January 17, 2002, the warrant exercise price will be adjusted to an amount equal to 110% of the Conversion Price on such date, provided that the adjusted price is lower than the warrant exercise price on that date.

Results of Operations

Interest income during the three months ending December 31, 2001 was less than it was during the same quarter in 2000 as a result of the Company's smaller cash position. Other income was higher due to the receipt of grant money. Research and development expenses were approximately $367,000 higher because of the expenses incurred in the continuation of production at Cambrex (see above).

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company's cash flow and earnings are subject to fluctuations due to changes in interest rates in its investment portfolio of debt securities, to the fair value of equity instruments held, and, to an immaterial extent, to foreign currency exchange rates. The Company maintains an investment portfolio of various issuers, types and maturities. These securities are generally classified as available-for-sale and, consequently, are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of stockholders' equity. Other-than-temporary losses are recorded against earnings in the same period the loss was deemed to have occurred. The Company does not currently hedge this exposure and there can be no assurance that other-than-temporary losses will not have a material adverse impact on the Company's results of operations in the future.

PART II

Item 6.

(a) Exhibits

No exhibits are filed with this report.

(b) Reports on Form 8-K

The Company filed one report on Form 8-K during the quarter ended December 31, 2001. The 8-K report disclosed new clinical data relating to Multikine, the Company's Immunotherapy drug.

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

/s/ Geert Kersten

Date:February 27, 2002

Geert Kersten
Chief Executive Officer*

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