

CEL SCI CORP
Form 10-Q
August 07, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015
OR

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

For the transition period from _____ to _____.

Commission File Number 001-11889

CEL-SCI CORPORATION

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

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

(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 No

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act). Yes No

| Class of Stock | No. Shares Outstanding | Date |
|----------------|---------------------------|----------------|
| Common | 112,081,222 | August 4, 2015 |

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CEL-SCI CORPORATION
BALANCE SHEETS
JUNE 30, 2015 AND SEPTEMBER 30, 2014

| ASSETS | (Unaudited) JUNE 30, 2015 | SEPTEMBER 30, 2014 |
|---|---------------------------------|--------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$11,230,427 | \$8,513,620 |
| Receivables | 158,492 | 81,820 |
| Prepaid expenses | 1,211,854 | 907,526 |
| Deposits - current portion | 150,000 | 150,000 |
| Inventory used for R&D and manufacturing | 1,415,507 | 1,452,020 |
| Deferred rent - current portion | 501,897 | 544,074 |
| Total current assets | 14,668,177 | 11,649,060 |
| RESEARCH AND OFFICE EQUIPMENT, net | 339,835 | 403,004 |
| PATENT COSTS, net | 300,701 | 323,588 |
| DEFERRED RENT - net of current portion | 4,216,214 | 4,733,865 |
| DEPOSITS | 1,970,917 | 2,120,917 |
| TOTAL ASSETS | \$21,495,844 | \$19,230,434 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$3,157,730 | \$1,160,783 |
| Accrued expenses | 430,001 | 547,208 |
| Due to employees | 403,175 | 307,961 |
| Related party loan | 1,270,000 | 1,104,057 |
| Deferred rent - current portion | 2,976 | 6,375 |
| Derivative instruments - current portion | - | 18,105 |
| Lease obligation - current portion | 8,892 | 8,495 |
| Total current liabilities | 5,272,774 | 3,152,984 |
| Derivative instruments - net of current portion | 12,160,249 | 5,487,141 |
| Deferred revenue | 125,000 | 126,591 |
| Deferred rent - net of current portion | 3,894 | 6,290 |
| Lease obligation - net of current portion | 2,309 | 9,028 |
| Deposits held | 5,000 | 5,000 |
| Total liabilities | 17,569,226 | 8,787,034 |

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

| | | |
|---|---------------|---------------|
| Preferred stock, \$.01 par value-200,000 shares authorized; -0- shares issued and outstanding | - | - |
| Common stock, \$.01 par value - 600,000,000 shares authorized, 112,027,058 and 81,902,471 shares issued and outstanding at June 30, 2015 and September 30, 2014, respectively | 1,120,271 | 819,025 |
| Additional paid-in capital | 267,163,871 | 249,151,208 |
| Accumulated deficit | (264,357,524) | (239,526,833) |
| Total stockholders' equity | 3,926,618 | 10,443,400 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$21,495,844 | \$ 19,230,434 |

See notes to financial statements.

CEL-SCI CORPORATION
 STATEMENTS OF OPERATIONS
 NINE MONTHS ENDED JUNE 30, 2015 and 2014
 (UNAUDITED)

| | 2015 | 2014 |
|---|----------------|----------------|
| GRANT INCOME AND OTHER | \$723,681 | \$196,215 |
| OPERATING EXPENSES: | | |
| Research and development (excluding R&D depreciation of \$119,053 and \$127,268 respectively, included below) | 15,582,933 | 12,627,269 |
| Depreciation and amortization | 163,431 | 173,185 |
| General & administrative | 10,933,876 | 6,457,835 |
| Total operating expenses | 26,680,240 | 19,258,289 |
| OPERATING LOSS | (25,956,559) | (19,062,074) |
| GAIN (LOSS) ON DERIVATIVE INSTRUMENTS | 1,808,954 | (1,053,755) |
| LOSS ON DEBT EXTINGUISHMENT | (641,276) | - |
| INTEREST INCOME | 83,072 | 93,434 |
| INTEREST EXPENSE | (124,882) | (122,083) |
| NET LOSS | (24,830,691) | (20,144,478) |
| ISSUANCE OF ADDITIONAL SHARES DUE TO RESET PROVISIONS | - | (1,117,447) |
| NET LOSS AVAILABLE TO COMMON SHAREHOLDERS | \$(24,830,691) | \$(21,261,925) |
| NET LOSS PER COMMON SHARE | | |
| BASIC AND DILUTED | \$(0.32) | \$(0.38) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | |
| BASIC AND DILUTED | 77,625,511 | 56,343,806 |

See notes to financial statements.

CEL-SCI CORPORATION
 STATEMENTS OF OPERATIONS
 THREE MONTHS ENDED JUNE 30, 2015 and 2014
 (UNAUDITED)

| | 2015 | 2014 |
|---|----------------|----------------|
| GRANT AND OTHER INCOME | \$389,223 | \$15,914 |
| OPERATING EXPENSES: | | |
| Research and development (excluding R&D depreciation of \$35,009 and \$43,877 respectively, included below) | 5,692,568 | 4,453,730 |
| Depreciation and amortization | 50,913 | 65,042 |
| General & administrative | 2,847,217 | 2,398,471 |
| Total operating expenses | 8,590,698 | 6,917,243 |
| OPERATING LOSS | (8,201,475) | (6,901,329) |
| GAIN ON DERIVATIVE INSTRUMENTS | 4,428,780 | 4,467,776 |
| LOSS ON DEBT EXTINGUISHMENT | (641,276) | - |
| INTEREST INCOME | 26,429 | 30,795 |
| INTEREST EXPENSE | (41,595) | (41,722) |
| NET LOSS | \$(4,429,137) | \$(2,444,480) |
| NET LOSS PER COMMON SHARE | | |
| BASIC | \$(0.05) | \$(0.04) |
| DILUTED | \$(0.06) | \$(0.11) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | |
| BASIC | 83,796,311 | 64,664,274 |
| DILUTED | 85,134,107 | 64,664,274 |

See notes to financial statements.

CEL-SCI CORPORATION
 STATEMENTS OF CASH FLOWS
 NINE MONTHS ENDED JUNE 30, 2015 and 2014
 (UNAUDITED)

| | 2015 | 2014 |
|--|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(24,830,691) | \$(20,144,478) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 163,431 | 173,185 |
| Issuance of common stock and options for services | 437,729 | 534,425 |
| Modification of warrants issued to consultants | - | 76,991 |
| Equity based compensation | 4,570,999 | 1,493,134 |
| Common stock contributed to 401(k) plan | 123,066 | 115,970 |
| Impairment loss on abandonment of patents | - | 240 |
| Loss on retired equipment | 313 | - |
| (Gain) or loss on derivative instruments | (1,808,954) | 1,053,755 |
| Loss on debt extinguishment | 641,276 | - |
| (Increase)/decrease in assets: | | |
| Receivables | (76,672) | (6,177) |
| Deferred rent | 559,828 | 571,125 |
| Prepaid expenses | (283,864) | (73,752) |
| Inventory used for R&D and manufacturing | 36,513 | (397,076) |
| Deposits | 150,000 | (200,000) |
| Increase/(decrease) in liabilities: | | |
| Accounts payable | 1,856,635 | (571,756) |
| Accrued expenses | (117,207) | 256,199 |
| Deferred revenue | (1,591) | 46 |
| Due to employees | 95,214 | (76,235) |
| Deferred rent liability | (5,795) | (2,245) |
| Net cash used in operating activities | (18,489,770) | (17,196,649) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of equipment | (56,616) | (66,912) |
| Expenditures for patent costs | (9,422) | (33,262) |
| Net cash used in investing activities | (66,038) | (100,174) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock and warrants | 21,278,905 | 28,428,641 |
| Proceeds from exercise of warrants | - | 3,118,387 |
| Payments on obligations under capital lease | (6,290) | (6,104) |
| Net cash provided by financing activities | 21,272,615 | 31,540,924 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,716,807 | 14,244,101 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 8,513,620 | 41,612 |

| | | |
|--|--------------|--------------|
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$11,230,427 | \$14,285,713 |
|--|--------------|--------------|

See notes to financial statements.

CEL-SCI CORPORATION
 STATEMENTS OF CASH FLOWS
 NINE MONTHS ENDED JUNE 30, 2015 and 2014
 (UNAUDITED)

| | 2015 | 2014 |
|---|---------------|---------------|
| ACCOUNTS PAYABLE | | |
| Increase in research and office equipment | \$12,625 | \$20,605 |
| Decrease in capital lease obligation | 32 | 3,466 |
| (Decrease) increase in patent costs | (975) | 6,099 |
| Increase in direct financing costs | 128,630 | - |
| (Increase) in accounts payable | (140,312) | (30,170) |
| | \$- | \$- |
| ADDITIONAL PAID IN CAPITAL | | |
| (Increase) in derivative liabilities | \$(8,463,957) | \$(5,320,989) |
| Decrease (Increase) in common stock | 1,000 | (16,375) |
| Increase in prepaid services | 20,464 | 6,612 |
| Increase in patent costs | - | 9,999 |
| Decrease in additional paid in capital | 8,442,493 | 5,320,753 |
| | \$- | \$- |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION: | | |
| Cash paid for interest expense | \$124,914 | \$139,313 |

See notes to financial statements.

CEL-SCI CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2015 AND 2014 (UNAUDITED)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed financial statements of CEL-SCI Corporation (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, these interim condensed financial statements should be read in conjunction with the financial statements and notes included in the Company's annual report on Form 10-K for the year ended September 30, 2014.

In the opinion of management, the accompanying unaudited condensed financial statements contain all accruals and adjustments (each of which is of a normal recurring nature) necessary for a fair presentation of the Company's financial position as of June 30, 2015 and the results of its operations for the nine and three months then ended. The condensed balance sheet as of September 30, 2014 is derived from the September 30, 2014 audited 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 months ended June 30, 2015 and 2014 are not necessarily indicative of the results to be expected for the entire year.

Summary of Significant Accounting Policies:

Research and Office Equipment and Leasehold Improvements - Research and office equipment is recorded at cost and depreciated using the straight-line method over estimated useful lives of five to seven years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Repairs and maintenance which do not extend the life of the asset are expensed when incurred. The fixed assets are reviewed on a quarterly basis to determine if any of the assets are impaired.

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 its 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.

Research and Development Costs - Research and development costs are expensed as incurred.

Income Taxes - The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be recognized. A full valuation allowance was recorded against the

deferred tax assets as of June 30, 2015 and September 30, 2014.

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Derivative Instruments – The Company has entered into financing arrangements that consist of freestanding derivative instruments that contain embedded derivative features. The Company accounts for these arrangements in accordance with Accounting Standards Codification (ASC) 815, “Accounting for Derivative Instruments and Hedging Activities.” In accordance with accounting principles generally accepted in the United States (U.S.GAAP), derivative instruments and hybrid instruments are recognized as either assets or liabilities in the balance sheet and are measured at fair value with gains or losses recognized in earnings or other comprehensive income depending on the nature of the derivative or hybrid instruments. The Company determines the fair value of derivative instruments and hybrid instruments based on available market data using appropriate valuation models, giving consideration to all of the rights and obligations of each instrument. The derivative liabilities are remeasured at fair value at the end of each interim period as long as they are outstanding.

Deferred Rent (Asset) – Consideration paid, including deposits, related to operating leases is recorded as a deferred rent asset and amortized as rent expense over the lease term. Interest on the deferred rent is calculated at 3% on the funds deposited on the manufacturing facility and is included in deferred rent. This interest income will be used to offset future rent.

Stock-Based Compensation – Compensation cost for all stock-based awards is measured at fair value as of the grant date in accordance with the provisions of ASC 718 “Compensation – Stock Compensation.” The fair value of stock options is calculated using the Black-Scholes option pricing model. The Black-Scholes model requires various judgmental assumptions including volatility and expected option life. The stock-based compensation cost is recognized on the straight line allocation method as expense over the requisite service or vesting period.

Equity instruments issued to non-employees are accounted for in accordance with ASC 505-50, “Equity-Based Payments to Non Employees.” Accordingly, compensation is recognized when goods or services are received and is measured using the Black-Scholes valuation model. The Black-Scholes model requires various judgmental assumptions regarding the fair value of the equity instruments at the measurement date and the expected life of the options.

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

The Company's stock options are not transferable, and the actual value of the stock options that an employee may realize, if any, will depend on the excess of the market price on the date of exercise over the exercise price. The Company has based its assumption for stock price volatility on the variance of daily closing prices of the Company's stock. The risk-free interest rate assumption was based on the U.S. Treasury rate at date of the grant with term equal to the expected life of the option. Historical data was used to estimate option exercise and employee termination within the valuation model. The expected term of options represents the period of time that options granted are expected to be outstanding and has been determined based on an analysis of historical exercise behavior. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense for new awards may differ materially in the future from that recorded in the current period.

Vesting of restricted stock granted under the Incentive Stock Bonus Plan is subject to service, performance and market conditions and meets the classification of equity awards. These awards were measured at market value on the grant-dates for issuances where the attainment of performance criteria is likely and at fair value on the grant-dates, using a Monte Carlo simulation for issuances where the attainment of performance criteria is uncertain. The total compensation cost will be expensed over the estimated requisite service period.

Reclassification – Certain prior year items have been reclassified to conform to the current year presentation.

B. NEW ACCOUNTING PRONOUNCEMENTS

In August 2014, the FASB issued Accounting Standards Update (ASU) 2014-15 which updates ASC 205-40, "Presentation of Financial Statements – Going Concern." This accounting standard update requires that in connection with preparing financial statements for each annual and interim reporting period, an entity's management will evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The update requires that management's evaluation be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The changes in ASU 2014-15 will take effect for the annual financial statement period ending after December 15, 2016, and for annual periods and interim periods thereafter. Management does not expect this amendment to have a material effect on the Company's financial statements.

In April 2015, the FASB issued ASU 2015-03 to simplify the presentation of debt issuance costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Management does not expect this amendment to have a material effect on the financial statements.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its financial statements.

C. STOCKHOLDERS' EQUITY

Stock options, stock bonuses and compensation granted by the Company as of June 30, 2015 are as follows:

| Name of Plan | Total Shares Reserved Under Plans | Shares Reserved for Outstanding Options | Shares Issued as Stock Bonus | Remaining Options/Shares Under Plans |
|----------------------------------|-----------------------------------|---|------------------------------|--------------------------------------|
| Incentive Stock Options Plans | 1,960,000 | 1,708,331 | N/A | 5,969 |
| Non-Qualified Stock Option Plans | 7,680,000 | 5,829,269 | N/A | 1,265,979 |
| Stock Bonus Plans | 3,594,000 | N/A | 1,470,254 | 2,122,919 |
| Stock Compensation Plans | 3,350,000 | N/A | 1,316,949 | 2,000,000 |
| Incentive Stock Bonus Plan | 16,000,000 | N/A | 15,600,000 | 400,000 |

Stock options granted by the Company or forfeited by the holder during the nine and three months ended June 30, 2015 and 2014 are as follows:

| | Nine Months Ended June 30, | |
|-----------|-----------------------------|---------|
| | 2015 | 2014 |
| Granted | 803,700 | 743,040 |
| Forfeited | 137,249 | 5,316 |
| | Three Months Ended June 30, | |
| | 2015 | 2014 |
| Granted | 801,700 | - |
| Forfeited | 27,833 | 5,316 |

During the nine and three months ended June 30, 2015, respectively, 100,000 and 0 shares of non-vested restricted stock were forfeited

Stock-Based Compensation Expense

| | Nine Months Ended March 31, | |
|---------------|------------------------------|-------------|
| | 2015 | 2014 |
| Employees | \$4,570,999 | \$1,493,134 |
| Non-employees | \$437,729 | \$611,416 |
| | Three Months Ended March 31, | |
| | 2015 | 2014 |
| Employees | \$619,145 | \$462,705 |

Non-employees

\$137,600

\$189,906

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During the nine and three months ended June 30, 2015, employee compensation expense included options issued or vested and restricted stock.

Derivative Liabilities, Warrants and Other Options

Below is a chart showing the derivative liabilities, warrants and other options outstanding at June 30, 2015:

| Warrant | Issue Date | Shares Issuable upon Exercise of Warrant | Exercise Price | Expiration Date | Refer-ence |
|-------------|-------------------|--|-----------------|-----------------|------------|
| Series H | 1/26/12 | 1,200,000 | \$ 5.00 | 8/1/15 | 1 |
| Series Q | 6/21/12 | 1,200,000 | \$ 5.00 | 12/22/15 | 1 |
| Series R | 12/6/12 | 2,625,000 | \$ 4.00 | 12/6/16 | 1 |
| | 10/11/13 | | | | |
| Series S | -10/24/14 | 25,928,010 | \$ 1.25 | 10/11/18 | 1 |
| Series U | 4/17/14 | 445,514 | \$ 1.75 | 10/17/17 | 1 |
| Series V | 5/28/15 | 20,253,164 | \$ 0.79 | 5/28/2020 | 1 |
| Series N | 8/18/08 | 2,844,627 | \$ 0.53 | 8/18/17 | 2 |
| Series P | 2/10/12 | 590,001 | \$ 4.50 | 3/6/17 | 2 |
| | | | | 10/14/15 | |
| Consultants | 10/14/05– 3/30/15 | 188,000 | \$ 0.85-\$20.00 | -3/29/2018 | 3 |

1. Derivative Liabilities

The table below presents the derivative instruments outstanding at the balance sheet dates and their respective balances:

| | June 30, 2015 | September 30, 2014 |
|-------------------------------------|---------------------|--------------------------|
| Series A through E warrants | \$- | \$6,105 |
| Series H warrants | - | 12,000 |
| Series Q warrants | - | 12,000 |
| Series R warrants | 26,250 | 157,500 |
| Series S warrants | 5,185,602 | 5,197,352 |
| Series U warrants | 45,937 | 120,289 |
| Series V warrants | 6,902,460 | - |
| Total derivative liabilities | \$12,160,249 | \$5,505,246 |

The table below presents the gains and (losses) on the derivative instruments for the nine months ended June 30:

| | 2015 | 2014 |
|---|-------------|---------------|
| Series A through E warrants | \$6,105 | \$1 |
| Series H warrants | 12,000 | 12,000 |
| Series N warrants | - | (1,404,027) |
| Series Q warrants | 12,000 | - |
| Series R warrants | 131,250 | 52,500 |
| Series S warrants | 472,487 | 153,814 |
| Series T warrants | - | 115,737 |
| Series U warrants | 74,352 | 16,220 |
| Series V warrants | 1,100,760 | - |
| Net gain (loss) on derivative instruments | \$1,808,954 | \$(1,053,755) |

The table below presents the gains on the derivative instruments for the three months ended June 30:

| | 2015 | 2014 |
|------------------------------------|-------------|-------------|
| Series A through E warrants | \$- | \$24,424 |
| Series F and G warrants | - | 36,666 |
| Series H warrants | 12,000 | 48,000 |
| Series Q warrants | 12,000 | 72,000 |
| Series R warrants | 105,000 | 236,250 |
| Series S warrants | 3,111,361 | 3,918,479 |
| Series T warrants | - | 115,737 |
| Series U warrants | 87,659 | 16,220 |
| Series V warrants | 1,100,760 | - |
| Net gain on derivative instruments | \$4,428,780 | \$4,467,776 |

The Company reviews all outstanding warrants in accordance with the requirements of ASC 815. This topic provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. The warrant agreements provide for adjustments to the exercise price for certain dilutive events. Under the provisions of ASC 815, the warrants are not considered indexed to the Company's stock because future equity offerings or sales of the Company's stock are not an input to the fair value of a "fixed-for-fixed" option on equity shares, and equity classification is therefore precluded.

In accordance with ASC 815, derivative liabilities must be measured at fair value upon issuance and re-valued at the end of each reporting period through expiration. Any change in fair value between the respective reporting dates is recognized as a gain or loss.

Issuance of additional Warrants

On May 28, 2015, the Company closed an underwritten public offering of 20,253,164 shares of common stock and 20,253,164 Series V warrants to purchase shares of common stock. The common stock and Series V warrants were sold at a combined per unit price of \$0.79 for net proceeds of approximately \$14.7 million, net of underwriting discounts and commissions and offering expenses. The Series V warrants are immediately exercisable at a price of \$0.79 and expire on May 28, 2020.

The initial cost of the Series V warrants of \$8,003,220 was recorded as warrant liability. As of June 30, 2015, the total Series V warrant liability was adjusted to fair value as noted in the above table.

On October 24, 2014, the Company closed an underwritten public offering of 7,894,737 shares of common stock and 1,973,684 Series S warrants to purchase shares of common stock. Additionally, on October 21, 2014, the Company sold 1,320,000 shares of common stock and 330,000 Series S warrants to purchase shares of common stock in a private offering. For every four shares of common stock sold in these offerings, investors were issued one Series S warrant to purchase one share of common stock. The common stock and Series S warrants were sold at a combined per unit price of \$0.76 for net proceeds of approximately \$6.4 million, net of underwriting discounts and commissions and offering expenses. The Series S warrants may be exercised at a price of \$1.25 and expire on October 11, 2018. The Series S warrants trade on the NYSE MKT under the symbol CVM WS.

The initial cost of the Series S warrants of \$460,737 was added to the existing Series S warrant liability. As of June 30, 2015, the total Series S warrant liability was adjusted to fair value as noted in the above table.

Warrants Exercised

During the nine and three months ended June 30, 2015, no derivative warrants were exercised. During the nine months ended June 30, 2014, 2,088,769 Series S warrants and 106,793 Series N warrants were exercised. During the three months ended June 30, 2014, 487,657 Series S warrants were exercised. The fair value of the Series S warrants on the date of exercise was \$1,024,931. The fair value of the Series N warrants on the date of exercise was \$137,000. The Company received cash proceeds of \$2,610,963 for the Series S warrants and \$7,424 for 14,078 of the Series N warrants exercised. The remaining 92,715 Series N warrants were exercised in a cashless exercise.

Expiration of Warrants

On October 6, 2014, 1,200,000 Series F warrants, with an exercise price of \$4.00, expired. The fair value of the Series F warrants was \$0 on the date of expiration. On October 17, 2014, 1,782,057 Series T warrants, with an exercise price of \$1.58, expired. The fair value of the Series T warrants was \$0 on the date of expiration. On December 24, 2014, 130,347 Series A warrants, with an exercise price of \$5.00, expired. The fair value of the warrants on the date of expiration was \$1,303. On January 8, 2015, 16,750 Series A warrants, with an exercise price of \$5.00, expired. The fair value of the Series A warrants was \$0 on the date of expiration. On February 20, 2015, 463,487 Series C warrants, with an exercise price of \$5.50, expired. The fair value of the Series C warrants was \$0 on the date of expiration. During the nine and three months ended June 30, 2014, no derivative warrants expired.

2. Equity-based warrants

On October 28, 2014, the outstanding 2,844,627 Series N Warrants were transferred to the de Clara Trust, of which the Company's CEO, Geert Kersten, is the trustee and a beneficiary. On June 29, 2015, the Company extended the expiration date of the Series N warrants to August 18, 2017. The incremental cost of this modification was \$475,333. The modification was concurrent with the extinguishment and reissuance of a note payable also held in the de Clara Trust, and was recorded as a loss on debt extinguishment.

During the nine and three months ended June 30, 2015, no equity-based warrants were exercised. During the nine and three months ended June 30, 2014, 500,000 and 0 Series M warrants, respectively, were exercised. The Company received cash proceeds of \$500,000 for the Series M warrants exercised.

On December 24, 2014, 164,824 warrants held by an officer/director, with an exercise price of \$4.00, expired. On January 6, 2015, 184,930 warrants held by an officer/director, with an exercise price of \$5.00, expired. On April 2, 2015, 70,000 Series L warrants, with an exercise price of \$2.50, expired. During the nine and three months ended June 30, 2014, respectively, 863,438 and 105,000 equity-based warrants expired.

3. Options and shares issued to Consultants

As of June 30, 2015, 188,000 options issued to consultants as payment for services remained outstanding, of which 180,000 options were issued from the Non-Qualified Stock Option plans.

On December 15, 2014, the Company extended a one-year consulting agreement for services to be provided through December 15, 2015. In consideration for services provided, the Company agreed to issue the consultant 100,000 restricted shares in three installments – 34,000 in December 2014, 33,000 on May 15, 2015, and 33,000 on August 15, 2015. Accordingly, during the nine and three months ended June 30, 2015, respectively, the Company issued the consultant 67,000 and 33,000 shares of restricted stock at fair market value on the grant date. The aggregate fair market value of \$48,090 was recorded as a prepaid expense and is being charged to general and administrative expense over the period of service. During the nine months ended June 30, 2014, the Company issued this consultant 100,000 restricted shares for an aggregate fair market value of \$108,710, which was recorded as a prepaid expense and charged to general and administrative expense over the period of service.

On October 20, 2013, the Company entered into a consulting agreement for services to be provided through October 19, 2016. In consideration for services provided, the Company agreed to issue the consultant 34,164 restricted shares each month of the agreement, with the first three months being issued in advance. During the nine months ended June 30, 2015 and 2014, the Company issued the consultant 307,476 shares of restricted stock at the fair market value of \$243,248 and \$332,074, respectively. The aggregate fair market value was recorded as a prepaid expense and is being charged to general and administrative expense over the period of service. In November 2014, the Company issued the same consultant 150,000 shares of common stock at the aggregate fair market value of \$97,500, in consideration for services provided.

The Company also engaged a third consultant for services to be provided from June 1, 2014 through November 30, 2014. During the nine months ended June 30, 2015, the Company issued the consultant 10,000 shares of restricted stock at the fair market value of \$7,250. Under a previous arrangement with this consultant, the Company recorded \$63,500 in expense for consulting services provided during the nine months ended June 30, 2014.

During the nine months ended June 30, 2015, the Company entered into two additional agreements for consulting services. The first agreement engaged a consultant for services to be provided from February 9, 2015 through August 9, 2015. The Company issued the consultant 25,000 shares of restricted stock in January 2015 and 25,000 shares of restricted stock in April 2015. The shares were issued at an aggregate fair market value of \$42,250, which was recorded as a prepaid expense and is being charged to general and administrative expense over the period of service. Additionally, in March 2015, the Company granted two other consultants a total of 40,000 fully vested options to purchase common stock at a price of \$1.02 per share. The fair value of the options issued was \$19,855 and was recorded as a general and administrative expense.

During the nine months ended June 30, 2015 and 2014, the Company recorded total expense of \$437,729 and \$445,838 relating to these consulting agreements. In addition, \$88,587 was expensed during the nine months ended June 30, 2014 for other prior year consulting agreements. At June 30, 2015 and September 30, 2014, respectively, \$46,932 and \$26,468 relating to these consulting agreements is included in prepaid expenses.

D. FAIR VALUE MEASUREMENTS

In accordance with ASC 820-10, "Fair Value Measurements," the Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company generally applies the income approach to determine fair value. This method uses valuation techniques to convert future amounts to a single present amount. The measurement is based on the value indicated by current market expectations with respect to those future amounts.

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The Company classifies fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and amounts derived from valuation models where all significant inputs are observable in active markets

Level 3 – Unobservable inputs that reflect management's assumptions

For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

The table below sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the condensed balance sheet at June 30, 2015:

| | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|------------------------|--|---|--|--------------|
| Derivative instruments | \$5,185,602 | \$- | \$ 6,974,647 | \$12,160,249 |

The table below sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the condensed balance sheet at September 30, 2014:

| | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|------------------------|--|---|--|-------------|
| Derivative instruments | \$5,197,352 | \$- | \$ 307,894 | \$5,505,246 |

The following sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3) for the nine months ended June 30, 2015 and the year ended September 30, 2014:

| | Nine Months Ended June 30, 2015 | Year Ended September 30, 2014 |
|--|---|--|
| Beginning balance | \$307,894 | \$433,024 |
| Issuances | 8,003,220 | 7,791,448 |
| Settlements | - | (1,445,528) |
| Transfers to Level 1 | - | (7,321,071) |
| Realized and unrealized (gains) losses | (1,336,467) | 850,021 |
| Ending balance | \$6,974,647 | \$307,894 |

The fair values of the Company's derivative instruments disclosed above under Level 3 are primarily derived from valuation models where significant inputs such as historical price and volatility of the Company's stock, as well as U.S. Treasury Bill rates, are observable in active markets.

E. LOANS FROM OFFICER

The Company's President, and a director, Maximilian de Clara, loaned the Company \$1,104,057. The loan from Mr. de Clara bears interest at 15% per year and is secured by a lien on substantially all of the Company's assets. At Mr. de Clara's option, the loan may be converted into shares of the Company's common stock. The number of shares which

will be issued upon any conversion will be determined by dividing the amount to be converted by \$4.00. The Company does not have the right to prepay the loan without Mr. de Clara's consent. In accordance with the loan agreement, the Company issued Mr. de Clara warrants to purchase 164,824 shares of the Company's common stock at a price of \$4.00 per share. These warrants expired on December 24, 2014. In consideration for an extension of the due date, Mr. de Clara received warrants to purchase 184,930 shares of the Company's common stock at a price of \$5.00 per share. These warrants expired on January 6, 2015. In consideration of Mr. de Clara's agreement to subordinate his note to the convertible preferred shares and convertible debt as part of a prior year settlement agreement, the Company extended the maturity date of the note to July 6, 2015; however, Mr. de Clara may demand payment upon giving the Company a minimum 10 day notice. In August 2014, the loan and warrants were transferred to the de Clara Trust, of which the Company's CEO, Geert Kersten, is the trustee and a beneficiary. Mr. de Clara will continue to receive the interest payments. On June 29, 2015, CEL-SCI extended the maturity date of the note to July 6, 2017, lowered the interest rate to 9% per year and changed the conversion price to \$0.59, the closing stock price on the previous trading day. The new terms are effective July 7, 2015. The Company determined these modifications to be substantive and therefore accounted for the modifications as an extinguishment of the pre-modification note and issuance of the post-modification note. The Company recorded an extinguishment loss and a premium on the note payable of \$165,943. The premium increased the face value of the note to \$1,270,000 and will be amortized as a reduction of interest expense through the expiration date of the note. Concurrently, the Company extended the expiration date of the Series N warrants to August 18, 2017. The incremental cost of this modification was \$475,333 and was included in debt extinguishment loss on the note, for a total loss of \$641,276.

During the nine and three months ended June 30, 2015, the Company paid \$124,206 and \$41,402, respectively, in interest expense to Mr. de Clara. During the nine and three months ended June 30, 2014, the Company paid \$138,007 and \$41,402, respectively, in interest expense to Mr. de Clara.

F. OPERATIONS AND FINANCING

The Company has incurred significant costs since its inception in connection with the acquisition of certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system, patent applications, research and development, administrative costs, construction of laboratory facilities, and clinical trials. The Company has funded such costs with proceeds from loans and 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 US Food & Drug Administration (FDA) approval for the sale of products to be developed on a commercial basis is uncertain. Ultimately, the Company must complete the development of its products, obtain the appropriate regulatory approvals and obtain sufficient revenues to support its cost structure.

The Company is currently running a large multi-national Phase 3 clinical trial for head and neck cancer with its partners TEVA Pharmaceuticals and Orient Europharma. The Company believes that between the capital the Company has on hand and the access it has to more capital, it has enough capital to support its operations for more than the next twelve months. On September 30, 2014, the Company reported approximately \$8.5 million in cash on hand. During the nine months ended June 30, 2015, the Company raised \$21.1 million net proceeds from several institutional investors. To finance the completion of the study, the Company plans to raise additional capital in the form of corporate partnerships, debt and/or equity financings. The Company believes that it will be able to obtain additional financing since Multikine is a Phase 3 product designed to treat cancer and because it has done so consistently in the past. However, there can be no assurance that the Company will be successful in raising additional funds or that funds will be available to the Company on acceptable terms or at all. If the Company does not raise the necessary amounts of money, the Company will either have to slow down or delay the Phase 3 clinical trial or even significantly curtail its operations until such time as it is able to raise the required funding.

Since the Company launched its Phase 3 trial for Multikine, the Company has spent approximately \$22.5 million as of June 30, 2015 on direct costs for the Phase 3 clinical trial. The total remaining cash cost of the clinical trial is estimated to be approximately \$22.1 million. It should be noted that this estimate is only an estimate based on the information currently available in CEL-SCI's contracts with the Clinical Research Organizations responsible for managing the Phase 3 trial. This number can be affected by the speed of enrollment, foreign currency exchange rates and many other factors, some of which cannot be foreseen today. It is therefore possible that the cost of the Phase 3 trial will be higher than currently estimated.

On July 15, 2014, the Company was awarded a Phase 1 Small Business Innovation Research (SBIR) grant in the amount of \$225,000 from the National Institute of Arthritis Musculoskeletal and Skin Diseases, which is part of the National Institutes of Health. The grant will fund the further development of CEL-SCI's LEAPS technology as a potential treatment for rheumatoid arthritis, an autoimmune disease of the joints. The Company recognizes revenue as the expenses are incurred. The amount of the grant earned during the nine months ended June 30, 2015 was \$195,584. As of June 30, 2015, the Company collected \$175,772 of this grant and recorded a receivable of \$19,811. The balance of the funds is expected to be collected by September 30, 2015.

The financial statements in this report have been prepared assuming that the Company will continue as a going concern, but due to recurring losses from operations and future liquidity needs, there is substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might

result from the outcome of this uncertainty.

G. COMMITMENTS AND CONTINGENCIES

Clinical Research Agreements

In March 2013, the Company entered into an agreement with Aptiv Solutions to provide certain clinical research services in accordance with a master service agreement. The Company will reimburse Aptiv for costs incurred. In May and October of 2013, the Company made advance payments totaling \$600,000. The funds advanced will be credited back in \$150,000 annual increments from December 2014 through December 2017. As of June 30, 2015, \$150,000 of the deposits is classified as a current asset and the remaining \$300,000 is classified as long-term.

In April 2013, the Company entered into a co-development and revenue sharing agreement with Ergomed. Under the agreement, Ergomed will contribute up to \$10 million towards the study in the form of offering discounted clinical services in exchange for a single digit percentage of milestone and royalty payments, up to a specific maximum amount. The Company accounted for the co-development and revenue sharing agreement in accordance with ASC 808 "Collaborative Arrangements". The Company determined the payments to Ergomed are within the scope of ASC 730 "Research and Development." Therefore, the Company will record the discount on the clinical services as a credit to research and development expense on its Statements of Operations. Since the Company entered into the co-development and revenue sharing agreement with Ergomed it has incurred research and development expenses of approximately \$10.2 million related to Ergomed's services. This amount is net of Ergomed's discount of approximately \$3.6 million. During the nine and three months ended June 30, 2015, the Company recorded, net of Ergomed's discount, approximately \$4.9 million and \$1.7 million respectively as research and development expense related to Ergomed's services. During the nine and three months ended June 30, 2014, the Company recorded, net of Ergomed's discount, approximately \$3.3 million and \$1.4 million, respectively as research and development expense related to Ergomed's services.

In October 2013, the Company entered into two co-development and profit sharing agreements with Ergomed. One agreement supports the Phase 1 study being conducted at the Naval Medical Center, San Diego under a Cooperative Research and Development Agreement (CRADA) with the U.S. Navy for the development of Multikine as a potential treatment in HIV/HPV co-infected men and women with peri-anal warts. The other agreement focuses on the development of Multikine in HIV/HPV co-infected women with cervical dysplasia. Ergomed will assume up to \$3 million in clinical and regulatory costs for each study.

The Company is currently involved in a pending arbitration proceeding, CEL-SCI Corporation v. inVentiv Health Clinical, LLC (f/k/a PharmaNet LLC) and PharmaNet GmbH (f/k/a PharmaNet AG). The Company initiated the proceedings against inVentiv Health Clinical, LLC, or inVentiv, the former third-party CRO, seeking at least \$50 million in damages related to inVentiv's prior involvement in the ongoing Phase 3 clinical trial of Multikine. The arbitration claim, initiated under the Commercial Rules of the American Arbitration Association, alleges (i) breach of contract, (ii) fraud in the inducement, and (iii) common law fraud.

In an amended statement of claim, the Company asserted the claims set forth above as well as an additional claim for professional malpractice. The arbitrator subsequently granted inVentiv's motion to dismiss the professional malpractice claim based on the "economic loss doctrine" under New Jersey law, a legal doctrine that, under certain circumstances, prohibits bringing a negligence-based claim alongside a claim for breach of contract. The arbitrator denied the remainder of inVentiv's motion, which had sought to dismiss certain other aspects of the amended statement of claim. In particular, the arbitrator rejected inVentiv's argument that several aspects of the amended statement of claim were beyond the arbitrator's jurisdiction.

The Company seeks at least \$50 million in damages. The Company filed this arbitration because, among other reasons, the number of patients enrolled and treated in the study fell below the level agreed to with the former CRO.

In connection with the pending arbitration proceedings, inVentiv has asserted counterclaims against us for (i) breach of contract, seeking at least \$2 million in damages for services allegedly performed by inVentiv; (ii) breach of contract, seeking at least \$1 million in damages for our alleged use of inVentiv's name in connection with publications and promotions in violation of the parties' contract; (iii) opportunistic breach, restitution and unjust enrichment, seeking at least \$20 million in disgorgement of alleged unjust profits allegedly made by us as a result of the purported breaches referenced in subsection (ii); and (iv) defamation, seeking at least \$1 million in damages for allegedly defamatory statements made about inVentiv. The Company believes inVentiv's counterclaims are meritless and intends to vigorously defend against them. However, if such defense is unsuccessful, and inVentiv successfully asserts any of its counterclaims, such an adverse determination could have a material adverse effect on our business, results, financial condition and liquidity.

The arbitration hearing on the merits (the "trial") has been tentatively rescheduled for the fall of 2015. Given that this matter is at a preliminary stage, the Company is not in a position to predict or assess the likely outcome of these proceedings.

Lease Agreements

In August 2007, the Company leased a building near Baltimore, Maryland. The building was remodeled in accordance with the Company's specifications so that it can be used by the Company to manufacture Multikine for the Company's Phase 3 clinical trial and sales of the drug if approved by the FDA. The lease is for a term of twenty years and requires annual base rent to escalate each year at 3%. The Company is required to pay all real and personal property taxes, insurance premiums, maintenance expenses, repair costs and utilities. The lease allows the Company, at its election, to extend the lease for two ten-year periods or to purchase the building at the end of the 20-year lease.

The Company was required to deposit the equivalent of one year of base rent in accordance with the contract. When the Company meets the minimum cash balance required by the lease, the deposit will be returned to the Company. The \$1,670,917 is included in non-current assets on June 30, 2015 and September 30, 2014.

The Company subleases a portion of its rental space on a month to month term lease, which requires a 30 day notice for termination. The Company receives \$5,464 per month in rent for the subleased space.

The Company leases its research and development laboratory under a 60 month lease which expires February 28, 2017. The operating lease includes escalating rental payments. The Company is recognizing the related rent expense on a straight line basis over the full 60 month term of the lease at the rate of \$11,360 per month. As of June 30, 2015 and September 30, 2014, the Company has recorded a deferred rent liability of \$6,870 and \$6,387, respectively.

The Company leases office headquarters under a 36 month lease which expired on June 30, 2015. The operating lease includes escalating rental payments. The Company recognizes the related rent expense on a straight line basis over the full 36 month term of the lease at the rate \$7,864 per month. As of June 30, 2015 and September 30, 2014, the Company has recorded a deferred rent liability of \$0 and \$6,278, respectively. On July 1, 2015, the operating lease was renewed for 5 years. The terms of the new lease include escalating rental payments and a rental abatement period. The Company will continue to recognize the rent expense on a straight line basis over the lease term.

The Company leased office equipment under a capital lease arrangement. The term of the capital lease is 48 months and expires on September 30, 2016. The monthly lease payment is \$1,025. The lease bears interest at approximately 6% per annum.

H. PATENTS

No patent impairment charges were recorded during the nine and three months ended June 30, 2015. For the nine and three months ended June 30, 2015, amortization of patent costs totaled \$31,334 and \$11,531, respectively. During the nine and three months ended June 30, 2014, the Company recorded patent impairment charges of \$240 and \$0, respectively. For the nine and three months ended June 30, 2014, amortization of patent costs totaled \$33,772 and \$16,792, respectively. The Company estimates that future amortization expense will be as follows:

| | |
|--|-----------|
| Three months ending September 30, 2015 | \$9,137 |
| Year ending September 30: | |
| 2016 | 36,547 |
| 2017 | 36,547 |
| 2018 | 36,213 |
| 2019 | 34,510 |
| 2020 | 31,317 |
| Thereafter | 116,430 |
| | \$300,701 |

I. NET LOSS PER SHARE

The following tables provide the details of the basic and diluted loss per-share (LPS) computations:

| | Nine Months Ended June 30, 2015 | | |
|------------------------|----------------------------------|-------------------------------|----------|
| | Net Loss | Weighted Average Shares | LPS |
| Basic and dilutive LPS | \$(24,830,691) | 77,625,511 | \$(0.32) |
| | Three Months Ended June 30, 2015 | | |
| | Net Loss | Weighted Average Shares | LPS |
| Basic LPS | \$(4,429,137) | 83,796,311 | \$(0.05) |
| Gain on derivatives | (1,100,760) | 1,337,796 | |
| Dilutive LPS | \$(5,529,897) | 85,134,107 | \$(0.06) |

| | Nine Months Ended June 30, 2014 | | |
|-------------------------|----------------------------------|-------------------------|----------|
| | Net Loss | Weighted Average Shares | LPS |
| Basic and dilutive LPS | \$(21,261,925) | 56,343,806 | \$(0.38) |
| | Three Months Ended June 30, 2014 | | |
| | Net Loss | Weighted Average Shares | LPS |
| Basic LPS | \$(2,444,480) | 64,664,274 | \$(0.04) |
| Gain on derivatives | (4,467,776) | | |
| Dilutive loss per share | \$(6,912,256) | 64,664,274 | \$(0.11) |

The calculation of diluted net loss per share excludes the following potentially dilutive securities because their inclusion would have been anti-dilutive as of June 30:

| | 2015 | 2014 |
|---------------------------|------------|------------|
| Options and Warrants | 38,786,333 | 39,601,505 |
| Convertible Debt | 1,871,283 | 276,014 |
| Unvested Restricted Stock | 15,100,000 | - |
| Total | 55,757,616 | 39,877,519 |

J. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date these financial statements were filed and determined there are no subsequent events that require disclosure.

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

Liquidity and Capital Resources

The Company's lead investigational therapy, Multikine® (Leukocyte Interleukin, Injection), is currently being tested in a Phase 3 clinical trial in advanced primary head and neck cancer. Multikine has been cleared by the regulators in eighteen countries around the world, including the U.S. FDA. Multikine is also being used in a Phase 1 study at the Naval Medical Center, San Diego under a CRADA with the U.S. Navy in HIV/HPV co-infected men and women with peri-anal warts.

Multikine (Leukocyte Interleukin, Injection) is the full name of this investigational therapy, which, for simplicity, is referred to in the remainder of this report as Multikine. Multikine is the trademark that the Company has registered for this investigational therapy, and this proprietary name is subject to FDA review in connection with the Company's future anticipated regulatory submission for approval. Multikine has not been licensed or approved by the FDA or any other regulatory agency. Neither has its safety or efficacy been established for any use.

The Company also owns and is developing a pre-clinical technology called LEAPS (Ligand Epitope Antigen Presentation System).

All of the Company's projects are under development. As a result, the Company cannot predict when it will be able to generate any revenue from the sale of any of its products.

Since inception, the Company has financed its operations through the sale of equity securities, convertible notes, loans and certain research grants. The Company's expenses will likely exceed its revenues as it continues the development of Multikine and brings other drug candidates into clinical trials. Until such time as the Company becomes profitable, any or all of these financing vehicles or others may be utilized to assist the Company's capital requirements.

Capital raised by the Company has been expended primarily for patent applications, debt repayment, research and development, administrative costs, and the construction of the Company's laboratory facilities. The Company does not anticipate realizing significant revenues until it enters into licensing arrangements regarding its technology and know-how or until it receives regulatory approval to sell its products (which could take a number of years). As a result the Company has been dependent upon the proceeds from the sale of its securities to meet all of its liquidity and capital requirements and anticipates having to do so in the future.

The Company will be required to raise additional capital or find additional long-term financing in order to continue with its research efforts. The ability of the Company to complete the necessary clinical trials and obtain FDA approval for the sale of products to be developed on a commercial basis is uncertain. Ultimately, the Company must complete the development of its products, obtain the appropriate regulatory approvals and obtain sufficient revenues to support its cost structure. The Company believes that, counting its cash on hand and access to the capital markets established over the years, it will have enough capital to support its operations through year end.

The Company estimates the total remaining cash cost of the Phase 3 trial, with the exception of the parts that will be paid by its licensees, Teva Pharmaceuticals and Orient Europharma, to be approximately \$22.1 million. This is in addition to approximately \$22.5 million which has been paid as of June 30, 2015. This estimate is based on the information currently available in the Company's contracts with the Clinical Research Organization responsible for managing the Phase 3 trial. This number can be affected by the speed of enrollment, foreign currency exchange rates and many other factors, some of which cannot be foreseen today. It is therefore possible that the cost of the Phase 3 trial will be higher than currently estimated.

In April 2013, the Company announced that it has replaced the CRO running its Phase 3 clinical trial. This was necessary since the patient enrollment in the study dropped off substantially following a takeover of the CRO which caused most of the members of the CRO's study team to leave the CRO. The Company announced that it has hired two CRO's who will manage the global Phase 3 study; Aptiv Solutions and Ergomed who are both international leaders in managing oncology trials. Both CRO's have helped the Company expand the trial to over -80 clinical sites globally. As of June 30, 2015, the study has enrolled 488 patients. The centers where the study is being conducted include two centers in Israel where the Company's partner Teva Pharmaceuticals has the marketing rights, and nine centers in Taiwan where the Company's partner Orient Europhama has the marketing rights. The Company expects to see a further increase in the number of patients enrolled in the study at an accelerating pace as treating physicians gain experience with Multikine.

Although the Company is aiming to enroll 880 patients, the Phase 3 study requires a total of 784 evaluable patients. The Company is estimating that such enrollment will be completed in March 2016. Following full enrollment of the study, the Company has to wait for 298 events (deaths) in the two comparator arms combined to determine if the Company has met the primary endpoint, which is a 10% increase in overall survival in the Multikine arm over the comparator arm. The Company estimates that the final data read-out of this Phase 3 clinical trial could occur by the second half of 2017 based on our enrollment projections and estimated survival curves provided in scientific literature.

Under a co-development agreement, Ergomed will contribute up to \$10 million towards the study where it will perform clinical services in exchange for a single digit percentage of milestone and royalty payments, up to a specified maximum amount, only from sales for head and neck cancer. Ergomed, a privately-held firm headquartered in Europe with global operations, has entered into numerous similar co-development agreements, including one with Genzyme (purchased by Sanofi in 2011 for over \$20 billion). Ergomed will be responsible for the majority of the new patient enrollment.

During the nine months ended June 30, 2015, the Company's cash increased by approximately \$2,717,000. Significant components of this increase include net proceeds from the sale of the Company's stock of approximately \$21,279,000 offset by net cash used to fund the Company's regular operations, including its on-going Phase 3 clinical trial, of approximately \$18,490,000, purchases of equipment of approximately \$57,000, patent expenditures of approximately \$9,000 and payments on capital leases of approximately \$6,000. During the nine months ended June 30, 2014, the Company's cash increased by approximately \$14,244,000. Significant components of this increase include net proceeds from the sale of the Company's stock of approximately \$28,429,000 and proceeds from the exercise of warrants of approximately \$3,118,000 offset by net cash used to fund the Company's regular operations, including its on-going Phase 3 clinical trial, of approximately \$17,197,000, purchases of equipment of approximately \$67,000, capitalized patent expenditures of approximately \$33,000 and payments on the capital lease of approximately \$6,000.

On May 28, 2015, the Company closed an underwritten public offering of 20,253,164 shares of common stock and 20,253,164 Series V warrants to purchase shares of common stock. The common stock and Series V warrants were sold at a combined per unit price of \$0.79 for net proceeds of approximately \$14.7 million, net of underwriting discounts and commissions and offering expenses. The Series V warrants are immediately exercisable at a price of \$0.79 and expire on May 28, 2020.

On October 24, 2014, the Company closed an underwritten public offering of 7,894,737 shares of common stock and 1,973,684 warrants to purchase shares of common stock. For every four shares of common stock sold, investors in this offering were issued a warrant to purchase one share of common stock. The common stock and warrants were sold at a combined price of \$0.76 for net proceeds of approximately \$5,550,000, net of underwriting discounts and commissions. The warrants were immediately exercisable, expire October 11, 2018 and have an exercise price of \$1.25.

Additionally, on October 21, 2014, the Company sold 1,320,000 shares of the Company's common stock, as well as warrants to purchase an additional 330,000 shares of common stock. For every four shares sold, the Company issued to investors in this offering one warrant. The shares of common stock and warrants are being sold at a combined price of \$0.76 per share with net proceeds from the offering of approximately \$941,000, net of commissions. The common stock and warrants will separate immediately. The warrants were immediately exercisable, expire October 11, 2018 and have an exercise price of \$1.25.

The Company incurred an additional \$85,335 in offering costs related to the October 2014 offerings which were charged to additional paid in capital and netted against the cash proceeds.

As of June 30, 2015, the Company had a net tangible book value of \$3,625,917, or \$0.03 per share of common stock, based on 112,027,058 shares of common stock outstanding as of that date.

Results of Operations and Financial Condition

During the nine and three months ended June 30, 2015, grant and other income increased by approximately \$527,000 and \$373,000 compared to the nine and three months ended June 30, 2014. The increase is primarily due to the timing of drug shipments to supply the Company's partner in Taiwan and the grant income earned by the Company's Small Business Innovation Research (SBIR) grant during the nine and three months ended June 30, 2015 compared to June 30, 2014.

During the nine and three months ended June 30, 2015, research and development expenses increased by approximately \$2,956,000 and \$1,239,000 compared to the nine and three months ended June 30, 2014.

During the nine and three months ended June 30, 2015, general and administrative expenses increased by approximately \$4,476,000 and \$449,000 compared to the nine and three months ended June 30, 2014. Major components of the increase include approximately \$3,237,000 and \$194,000, respectively, during the nine and three months ended June 30, 2015, in employee compensation costs related to the issuance of shareholder approved shares of restricted stock during the quarter ended September 30, 2014, and increased legal fees of approximately \$1,210,000 and \$325,000, respectively over the nine and three month periods primarily relating to the arbitration with the Company's former CRO, as discussed in Note G – Commitments and Contingencies.

The gain on derivative instruments of approximately \$1,809,000 and \$4,429,000 for the nine and three months ended June 30, 2015 was the result of the change in fair value of the derivative liabilities during the period. The loss on derivative instruments of approximately \$1,054,000 for the nine months ended June 30, 2014 and the gain on derivative instruments of approximately \$4,468,000 for the three months ended June 30, 2014 was the result of the change in fair value of the derivative liabilities during the period. This change was caused by fluctuations in the share price of the Company's common stock.

During the three months ended June 30, 2015, the Company recorded a loss on debt extinguishment of \$641,276. This amount was comprised of a \$165,943 premium on the note payable held in a related party trust, and an additional expense of \$475,333 relating to the modification of Series N warrants also held in the trust. The loss on debt extinguishment resulted from substantive modification of the terms under the note, including an extension of the expiration date and a decrease in the interest rate, and an extension of the expiration date on the warrants.

Interest expense was approximately \$125,000 and \$42,000, respectively, for the nine and three months ended June 30, 2015 and consisted primarily of interest expense on the loan from the Company's president. Interest expense was approximately \$122,000 and \$42,000, respectively, for the nine and three months ended June 30, 2014 and consisted primarily of interest expense on the loan from the Company's president.

Research and Development Expenses

The Company's research and development efforts involved Multikine and LEAPS. The table below shows the research and development expenses associated with each project.

| | Nine months ended June 30, | | Three months ended June 30, | |
|-----------|-------------------------------|--------------|--------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| MULTIKINE | \$15,207,126 | \$12,347,711 | \$5,558,700 | \$4,361,366 |
| LEAPS | 375,807 | 279,558 | 133,868 | 92,364 |
| TOTAL | \$15,582,933 | \$12,627,269 | \$5,692,568 | \$4,453,730 |

Clinical and other studies necessary to obtain regulatory approval of a new drug involve significant costs and require several years to complete. The extent of the Company's clinical trials and research programs are primarily based upon the amount of capital available to the Company and the extent to which the Company has received regulatory approvals for clinical trials. The inability of the Company to conduct clinical trials or research, whether due to a lack of capital or regulatory approval, will prevent the Company from completing the studies and research required to obtain regulatory approval for any products which the Company is developing. Without regulatory approval, the Company will be unable to sell any of its products. Since all of the Company's projects are under development, the Company cannot predict when it will be able to generate any revenue from the sale of any of its products.

Critical Accounting Estimates and Policies

Management's discussion and analysis of the Company's financial condition and results of operations is based on its unaudited condensed financial statements. The preparation of these financial statements is based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and notes. The Company believes some of the more critical estimates and policies that affect its financial condition and results of operations are in the areas of operating leases and stock-based compensation. For more information regarding the Company's critical accounting estimates and policies, see Part II, Item 7 of the Company's 2014 Annual Report on Form 10-K. The application of these critical accounting policies and estimates has been discussed with the Audit Committee of the Company's Board of Directors.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company has a loan from a trust controlled by the Chief Executive Officer that bears interest at 9%. The interest rate was lowered to 9% effective July 7, 2015. The Company does not believe that it has any significant exposures to market risk.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the direction and with the participation of the Company's management, including the Company's Chief Executive and Chief Financial Officer, the Company has conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2015. The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its periodic reports with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching its desired disclosure control objectives. Based on the evaluation, the Chief Executive and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2015.

Changes in Internal Control over Financial Reporting

The Company's management, with the participation of the Chief Executive and Chief Financial Officer, has evaluated whether any change in the Company's internal control over financial reporting occurred during the first nine months of fiscal year 2015. There was no change in the Company's internal control over financial reporting during the nine months ended June 30, 2015.

PART II

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

Issuance of Restricted Stock

During the nine months ended June 30, 2015 the Company issued 127,000 shares of common stock to consultants for investor relations services.

The Company relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 with respect to the issuance of these shares. The persons who acquired these shares were sophisticated investors and were provided full information regarding our business and operations. There was no general solicitation in connection with the offer or sale of these securities. The persons who acquired these shares acquired them for their own accounts. The certificate representing these shares bear restricted legends providing that they cannot be sold except pursuant to an effective registration statement or an exemption from registration. No commission or other form of remuneration was given to any person in connection with the issuance of these shares.

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 7, 2015

By: /s/ Geert Kersten
Geert Kersten, Principal Executive Officer*

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