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CEL SCI CORP
Form S-1/A
November 06, 2003

As filed with the Securities and Exchange Commission on November __, 2003.

Registration No 333-109070

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1/A
AMENDMENT NO. 1

Registration Statement
Under
THE SECURITIES ACT OF 1933

CEL-SCI Corporation

(Exact name of registrant as specified in charter)

Colorado

(State or other jurisdiction of incorporation)

84-0916344
(IRS Employer I.D.
Number)

8229 Boone Blvd. #802
Vienna, Virginia 22182
(703) 506-9460
(Address, including zip code, and
telephone number including area of
principal executive offices)

Geert Kersten
8229 Boone Blvd. #802
Vienna, Virginia 22182
(703) 506-9460
(Name and address, including zip code, and telephone number,
including area code, of agent for service)

Copies of all communications, including all communications sent to
the agent for service, should be sent to:

William T. Hart, Esq.
Hart & Trinen
1624 Washington Street
Denver, Colorado 80203
(303) 839-0061

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date
of this Registration Statement

If the only securities being registered on this Form are being offered pursuant
to dividend or interest reinvestment plans, please check the following box. []

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered -----	Securities to be Registered -----	Proposed Maximum Offering Price Per Share (3) -----	Proposed Maximum Aggregate Offering Price -----	Amount of Registration Fee -----
Common stock (1)	14,000,000	\$0.81	\$11,340,000	\$1,044
Common stock (2)	395,726	\$0.81	\$320,538	30
Total			\$11,660,538	\$1,074

- (1) Represents shares issuable to Rubicon Group Ltd. under the equity line of credit.
- (2) Represents shares issuable upon the exercise of warrants held by Rubicon Group Ltd.
- (3) Offering price computed in accordance with Rule 457(c).

Pursuant to Rule 416, this Registration Statement includes such indeterminate number of additional securities as may be required for issuance upon the exercise of the warrants as a result of any adjustment in the number of securities issuable by reason of stock splits or similar capital reorganizations.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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CEL-SCI CORPORATION

Common Stock

This prospectus may be used only in connection with sales of up to 14,395,726 shares of the common stock of CEL-SCI Corporation by Rubicon Group Ltd. Rubicon Group will sell shares of common stock purchased from CEL-SCI under an equity line of credit agreement and up to 395,726 shares of common stock which may be issued upon the exercise of warrants. The warrants were issued to Rubicon Group upon the signing of the equity line of credit agreement. CEL-SCI will pay for the expenses of this offering. Rubicon Group Ltd. is an "underwriter" as that term is defined in the Securities Act of 1933.

CEL-SCI's common stock is quoted on the American Stock Exchange under the symbol "CVM." On _____, 2003 the closing price for one share of the CEL-SCI's common stock was \$____.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are speculative and involve a high degree of risk. For a description of certain important factors that should be considered by prospective investors, see "Risk Factors" beginning on page 7 of this Prospectus

The date of this prospectus is _____, 2003

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PROSPECTUS SUMMARY

THIS SUMMARY IS QUALIFIED BY THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS.

CEL-SCI

CEL-SCI Corporation was formed as a Colorado corporation in 1983. CEL-SCI is involved in the research and development of certain drugs and vaccines. CEL-SCI manufactures MULTIKINE(R), its first, and main product, using CEL-SCI's proprietary cell culture technologies. CEL-SCI is testing MULTIKINE to determine if it is effective in creating an anti-cancer immune response in head and neck cancer patients, and in HIV-infected women with Human Papilloma Virus induced cervical dysplasia, the precursor stage before the development of cervical cancer.

LEAPS, another technology of CEL-SCI, is being tested by CEL-SCI to determine if it is effective in developing potential treatments and/or vaccines against various diseases. Present target diseases are herpes simplex, malaria and autoimmune myocarditis.

Before human testing can begin with respect to a drug or biological

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product, preclinical studies are conducted in laboratory animals to evaluate the potential efficacy and the safety of a product. Human clinical studies generally involve a three-phase process. The initial clinical evaluation, Phase I, consists of administering the product and testing for safe and tolerable dosage levels. Phase II trials continue the evaluation of safety and determine the appropriate dosage for the product, identify possible side effects and risks in a larger group of subjects, and provide preliminary indications of efficacy. Phase III trials consist of testing for actual clinical efficacy within an expanded group of patients at geographically dispersed test sites.

CEL-SCI has funded the costs associated with the clinical trials relating to CEL-SCI's technologies, research expenditures and CEL-SCI's administrative expenses with the public and private sales of shares of CEL-SCI's common stock and borrowings from third parties, including affiliates of CEL-SCI.

CEL-SCI does not expect to develop commercial products for several years, if at all. CEL-SCI has had operating losses since its inception, had an accumulated deficit of approximately \$(84,660,000) at June 30, 2003 and expects to incur substantial losses for the foreseeable future.

CEL-SCI's executive offices are located at 8229 Boone Blvd., #802, Vienna, Virginia 22182, and its telephone number is (703) 506-9460.

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THE OFFERING

Securities Offered:

In order to provide a possible source of funding for CEL-SCI's current activities and for the development of its current and planned products, CEL-SCI has entered into an equity line of credit agreement with Rubicon Group Ltd.

Under the equity line of credit agreement, Rubicon Group has agreed to provide CEL-SCI with up to \$10,000,000 of funding during the twenty four-month period following the date of this prospectus. During this twenty four-month period, CEL-SCI may request a drawdown under the equity line of credit by selling shares of its common stock to Rubicon Group, and Rubicon Group will be obligated to purchase the shares. The minimum amount CEL-SCI can draw down at any one time is \$100,000, and the maximum amount CEL-SCI can draw down at any one time will be determined at the time of the drawdown request using a formula contained in the equity line of credit agreement. CEL-SCI may request a drawdown once every 24 trading days, although CEL-SCI is under no obligation to request any drawdowns under the equity line of credit.

During the 22 trading days following a drawdown request, CEL-SCI will calculate the amount of shares it will sell to Rubicon Group 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 CEL-SCI's common stock during each of the 22 trading days immediately following the drawdown date, less a discount of 11%.

Using the formula contained in the equity line of credit agreement, if CEL-SCI had requested a drawdown on October __, 2003, the maximum amount CEL-SCI could draw down during the subsequent 22 trading days would have been \$_____. Based upon the daily volume weighted average of CEL-SCI's common stock during these 22 trading days, CEL-SCI would have sold _____ shares of its common stock to Rubicon Group and would have received \$_____ from the sale of these shares. For more details on the maximum drawdown amount, the calculation of the purchase

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price and the number of shares CEL-SCI will sell, see "Equity Line of Credit Agreement" beginning on page ___ of this prospectus.

CEL-SCI is registering the shares of common stock issuable to Rubicon Group under the equity line of credit, as well as the 395,726 shares underlying the warrants that CEL-SCI granted to Rubicon Group. These shares may be offered for sale from time to time by means of this prospectus by or for the account of Rubicon Group. CEL-SCI will prepare and file amendments and supplements to this prospectus as may be necessary in order to keep this prospectus effective as long as the selling shareholders hold shares of CEL-SCI's common stock or until these shares can be sold under an appropriate exemption from registration. CEL-SCI has agreed to bear the expenses of registering the shares, including legal fees of \$10,000 payable to Rubicon Group's attorneys, but not the expenses associated with selling the shares, such as broker discounts and commissions.

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As of September 15, 2003, CEL-SCI had 60,753,294 shares of common stock issued and outstanding. The number of outstanding shares does not give effect to shares which may be issued pursuant to the equity-line of credit or upon the exercise and/or conversion of options, warrants or convertible notes. See "Comparative Share Data".

CEL-SCI will not receive any proceeds from the sale of the shares by Rubicon Group. However, CEL-SCI will receive proceeds from any sale of common stock to Rubicon Group under the equity line of credit agreement and upon the exercise of warrants held by Rubicon Group, when, and if, it pays the exercise price in cash. CEL-SCI expects to use substantially all the net proceeds for general and administrative expenses, research and clinical trials.

Risk Factors: The purchase of the securities offered by this prospectus involves a high degree of risk. Risk factors include the lack of revenues and history of loss, need for additional capital and need for FDA approval. See the "Risk Factors" section of this prospectus for additional Risk Factors.

AMEX Symbol: CVM

Summary Financial Data

Results of Operations:	Nine Months Ended June 30, 2003	Years Ended 2002	September 30, 2001
	-----	----	----
Grant Revenue and Other:	\$197,520	\$ 384,939	\$ 293,871
	-----	-----	-----
Expenses:			
Research and Development	1,408,225	4,699,909	7,762,213
Depreciation and Amortization	143,351	226,514	209,121
General and Administrative	1,726,265	1,754,332	3,432,437
Interest Income	(40,707)	(85,322)	(376,221)
Interest Expense	1,437,996	2,131,750	--
	-----	-----	-----
Net Loss	\$(4,477,610)	\$(8,342,244)	\$(10,733,679)
Accrued Dividends on Preferred Stock	(5,844)	(202,987)	(53,153)
Accretion of Beneficial Conversion Feature on Preferred stock	(74,577)	(1,444,757)	(317,419)
	-----	-----	-----

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Net Loss Attributable to Common Stockholders	\$ (4,558,031)	\$ (9,989,988)	\$ (11,104,251)
	=====	=====	=====
Net loss per common share (basic and diluted)	\$ (0.10)	\$ (0.35)	\$ (0.51)
	=====		
Weighted average common shares outstanding	47,914,264	28,746,341	21,824,273
	=====		

Balance Sheet Data:

	June 30, 2003	September 30, 2002	September 30, 2001
Working Capital	\$ 614,490	\$ 690,804	\$2,807,229
Total Assets	3,008,673	3,771,258	4,508,920
Convertible Debt	105,702 *	639,288	--

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	June 30, 2003	September 30, 2002	September 30, 2001
Note Payable - Covance	199,928 *	--	--
Note Payable - Cambrex	637,566 *	1,135,017 *	--
Total Liabilities	1,783,610	2,709,087	507,727
Stockholders' Equity	1,225,063	1,062,171	4,001,193

* Included in Total Liabilities.

Forward Looking Statements

This prospectus contains various forward-looking statements that are based on CEL-SCI's beliefs as well as assumptions made by and information currently available to CEL-SCI. When used in this prospectus, the words "believe", "expect", "anticipate", "estimate" and similar expressions are intended to identify forward-looking statements. Such statements may include statements regarding seeking business opportunities, payment of operating expenses, and the like, and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from projections or estimates. Factors which could cause actual results to differ materially are discussed at length under the heading "Risk Factors". Should one or more of the enumerated risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Investors should not place undue reliance on forward-looking statements, all of which speak only as of the date made.

RISK FACTORS

Investors should be aware that this offering involves the risks described below, which could adversely affect the price of CEL-SCI's common stock. In addition to the other information contained in this prospectus, the following factors should be considered carefully in evaluating an investment in the shares offered by this prospectus.

RISKS RELATED TO CEL-SCI

Since CEL-SCI Has Earned Only Limited Revenues and Has a History of Losses, CEL-SCI Will Require Additional Capital to Remain in Operation.

CEL-SCI has had only limited revenues since it was formed in 1983. Since the date of its formation and through June 30, 2003 CEL-SCI incurred net losses

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of approximately \$(84,660,000). During the years ended September 30, 2000, 2001 and 2002 CEL-SCI suffered losses of \$(8,478,397), \$(10,733,679) and \$(8,342,244) respectively. CEL-SCI has relied principally upon the proceeds of public and private sales of securities and convertible notes to finance its activities to date. All of CEL-SCI's potential products are in the early stages of development, and any commercial sale of these products will be many years away. Accordingly, CEL-SCI expects to incur substantial losses for the foreseeable future.

There can be no assurance CEL-SCI will be profitable. At the present time, CEL-SCI intends to use available funds to finance CEL-SCI's operations. Accordingly, while payment of dividends rests within the discretion of the Board

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of Directors, no common stock dividends have been declared or paid by CEL-SCI. CEL-SCI does not presently intend to pay dividends on its common stock and there can be no assurance that common stock dividends will ever be paid.

If Cost Estimates for Clinical Trials and Research Are Inaccurate, CEL-SCI Will Require Additional Capital.

CEL-SCI's estimates of the costs associated with future clinical trials and research may be substantially lower than the actual costs of these activities. If CEL-SCI's cost estimates are incorrect, CEL-SCI will need additional funding for its research efforts.

If Cel-Sci cannot obtain additional capital, Cel-Sci may have to delay or postpone development and research expenditures which may influence Cel-Sci's ability to produce a timely and competitive product.

Clinical and other studies necessary to obtain approval of a new drug can be time consuming and costly, especially in the United States, but also in foreign countries. The different steps necessary to obtain regulatory approval, especially that of the Food and Drug Administration, involve significant costs and may require several years to complete. CEL-SCI expects that it will need additional financing over an extended period of time in order to fund the costs of future clinical trials, related research, and general and administrative expenses. Although CEL-SCI's equity line of credit agreement is expected to be a source of funding, the amounts which CEL-SCI is able to draw from the equity line during each drawdown period may not satisfy CEL-SCI's capital needs.

Any failure to obtain or any delay in obtaining required regulatory approvals may adversely affect the ability of CEL-SCI or potential licensees to successfully market any products they may develop.

Therapeutic agents, drugs and diagnostic products are subject to approval, prior to general marketing, by the FDA in the United States and by comparable agencies in most foreign countries. The process of obtaining FDA and corresponding foreign approvals is costly and time consuming, particularly for pharmaceutical products such as those which might ultimately be developed by CEL-SCI, VTI or its licensees, and there can be no assurance that such approvals will be granted. Also, the extent of adverse government regulations which might arise from future legislative or administrative action cannot be predicted.

CEL-SCI has, at the present time, only one source of multikine and if this source could not, for any reason, supply CEL-SCI with Multikine, CEL-SCI estimates that it would take approximately six to ten months to obtain supplies of Multikine under an alternative manufacturing arrangement, in which case CEL-SCI may have to delay its research and development activities.

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CEL-SCI has an agreement with an unrelated corporation for the production, until 2006, of Multikine. CEL-SCI does not know what cost it would incur to obtain an alternative source of supply.

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CEL-SCI may not be able to achieve or maintain a competitive position and other technological developments may result in CEL-SCI's proprietary technologies becoming uneconomical or obsolete.

The biomedical field in which CEL-SCI is involved is undergoing rapid and significant technological change. The successful development of therapeutic agents from CEL-SCI's compounds, compositions and processes through CEL-SCI-financed research or as a result of possible licensing arrangements with pharmaceutical or other companies, will depend on its ability to be in the technological forefront of this field.

Many pharmaceutical and biotechnology companies are developing products for the prevention or treatment of cancer and infectious diseases. Many of these companies have substantial financial, research and development, and marketing resources and are capable of providing significant long-term competition either by establishing in-house research groups or by forming collaborative ventures with other entities. In addition, both smaller companies and non-profit institutions are active in research relating to cancer and infectious diseases and are expected to become more active in the future.

CEL-SCI's Patents Might Not Protect CEL-SCI's Technology from competitors, in which case CEL-SCI may not have any advantage over competitors in selling any products which it may develop.

Certain aspects of CEL-SCI's technologies are covered by U.S. and foreign patents. In addition, CEL-SCI has a number of patent applications pending. There is no assurance that the applications still pending or which may be filed in the future will result in the issuance of any patents. Furthermore, there is no assurance as to the breadth and degree of protection any issued patents might afford CEL-SCI. Disputes may arise between CEL-SCI and others as to the scope and validity of these or other patents. Any defense of the patents could prove costly and time consuming and there can be no assurance that CEL-SCI will be in a position, or will deem it advisable, to carry on such a defense. Other private and public concerns, including universities, may have filed applications for, or may have been issued, patents and are expected to obtain additional patents and other proprietary rights to technology potentially useful or necessary to CEL-SCI. The scope and validity of such patents, if any, the extent to which CEL-SCI may wish or need to acquire the rights to such patents, and the cost and availability of such rights are presently unknown. Also, as far as CEL-SCI relies upon unpatented proprietary technology, there is no assurance that others may not acquire or independently develop the same or similar technology. CEL-SCI's first MULTIKINE patent expired in 2000. Since CEL-SCI does not know if it will ever be able to sell MULTIKINE on a commercial basis, CEL-SCI cannot predict what effect the expiration of this patent will have on CEL-SCI. Notwithstanding the above, CEL-SCI believes that trade secrets and later issued patents will protect the technology associated with MULTIKINE.

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Although CEL-SCI has product liability insurance for MULTIKINE, the successful prosecution of a product liability case against CEL-SCI could have a materially adverse effect upon its business if the amount of any judgment exceeds CEL-SCI's insurance coverage.

CEL-SCI is dependent for its success on the continued availability of its executive officers and the loss of management and scientific personnel could adversely affect CEL-SCI.

The loss of the services of any of CEL-SCI's executive officers could have an adverse effect on CEL-SCI's business. CEL-SCI does not carry key man life insurance on any of its officers. CEL-SCI's future success will also depend upon its ability to attract and retain qualified scientific personnel. There can be no assurance that CEL-SCI will be able to hire and retain such necessary personnel.

RISKS RELATED TO THIS OFFERING

Since the Market Price for CEL-SCI's Common Stock is Volatile, Investors in This Offering May Not Be Able to Sell Any of CEL-SCI's Shares at a Profit.

The market price of CEL-SCI's common stock, as well as the securities of other biopharmaceutical and biotechnology companies, have historically been highly volatile, and the market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. Factors such as fluctuations in CEL-SCI's operating results, announcements of technological innovations or new therapeutic products by CEL-SCI or its competitors, governmental regulation, developments in patent or other proprietary rights, public concern as to the safety of products developed by CEL-SCI or other biotechnology and pharmaceutical companies, and general market conditions may have a significant effect on the market price of CEL-SCI's common stock.

Shares issuable upon the exercise of options and warrants, the conversion of promissory notes or in connection with CEL-SCI's equity line of credit may substantially increase the number of shares available for sale in the public market and may depress the price of CEL-SCI's common stock.

Options

CEL-SCI has issued options to its officers, directors, employees and consultants which allow the holders to acquire additional shares of CEL-SCI's common stock. In some cases CEL-SCI has agreed that, at its expense, it will make appropriate filings with the Securities and Exchange Commission so that the securities issuable upon the exercise of the options will be available for public sale. Such filings could result in substantial expense to CEL-SCI and could hinder future financings by CEL-SCI.

Until the options expire, the holders will have an opportunity to profit from any increase in the market price of CEL-SCI's common stock without assuming the risks of ownership. Holders of the options may exercise them at a time when CEL-SCI could obtain additional capital on terms more favorable than those

provided by the options. The exercise of the options will dilute the voting interest of the owners of presently outstanding shares of CEL-SCI's common stock and may adversely affect the ability of CEL-SCI to obtain additional capital in the future. The sale of the shares of common stock issuable upon the exercise of the options could adversely affect the market price of CEL-SCI's stock.

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Series E, F, G and I Warrants

In August 2001 three private investors exchanged their warrants for CEL-SCI's Series E warrants. The Series E warrants collectively allow the holders to purchase up to 815,351 shares of CEL-SCI's common stock at a price of \$1.19 per share at any time prior to August 16, 2004 and 23,758 shares of common stock at a price of \$0.77 per share at any time prior to August 17, 2006.

In December 2001 and January 2002, CEL-SCI sold Series F convertible notes, plus Series F warrants, to a group of private investors for \$1,600,000. As of December 31, 2002 all of the Series F notes had been converted into 6,592,461 shares of CEL-SCI's common stock. The Series F warrants collectively allow the holders to purchase up to 420,000 shares of CEL-SCI's common stock at a price of \$0.153 per share at any time prior to December 31, 2008.

In July and September 2002 CEL-SCI sold Series G convertible notes, plus Series G warrants, to a group of private investors for \$1,300,000. As of June 20, 2003 all of the Series G notes had been converted into 8,390,746 shares of CEL-SCI's common stock. The Series G warrants collectively allow the holders to purchase up to 450,000 shares of CEL-SCI's common stock at a price of \$0.145 per share at any time prior to July 12, 2009.

In May 2003 CEL-SCI sold shares of its common stock plus Series I warrants to a private investor. The Series I warrants allow the holder to purchase 1,100,000 shares of CEL-SCI's common stock at a price of \$0.47 per share at any time prior to May 30, 2006.

The exercise price of the Series F and G warrants, and the number of shares issuable upon the exercise of the Series F and G warrants, are subject to adjustment under those conditions explained in the section of the prospectus entitled "Description of Securities".

The sale of common stock issued or issuable upon the exercise of the Series E, F, G, or I warrants, or the perception that such sales could occur, could adversely affect the market price of CEL-SCI's common stock.

Series H Convertible Notes and Series H Warrants

In January and July 2003 CEL-SCI sold Series H convertible notes, plus Series H warrants, to a group of private investors for \$1,350,000. At the holder's option the notes are convertible into shares of CEL-SCI'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. If the closing price of CEL-SCI's common stock is less than \$0.50 on any conversion date, the Conversion Price will be 76% of the average of the three lowest daily trading prices of CEL-SCI's common stock on the American Stock Exchange during the 15 trading days immediately prior to the conversion date. If the closing price of CEL-SCI's common stock is \$0.50 or greater on any conversion date, the Conversion Price

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will be 70% of the average of the three lowest daily trading prices of CEL-SCI's common stock on the American Stock Exchange during the 15 trading days immediately prior to the conversion date. As of September 15, 2003 Series H notes in the principal amount of \$1,050,000 had been converted into 2,637,419 shares of CEL-SCI's common stock.

The Series H warrants collectively allow the holders to purchase up to 550,000 shares of CEL-SCI's common stock at a price of \$0.25 per share at any

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time prior to January 7, 2010.

The Conversion Price, the warrant exercise price, and the number of shares issuable upon the exercise of the Series H warrants are subject to adjustment under those conditions explained in the section of the prospectus entitled "Description of Securities".

The sale of common stock upon the conversion of the Series H notes or the exercise of the Series H warrants, or the perception that such sales could occur, could adversely affect the market price of CEL-SCI's common stock.

Cambrex Bio Sciences Note

In November 2001 CEL-SCI gave a promissory note in the principal amount of \$1,172,517 to Cambrex Bio Sciences, Inc. The note represented the cost of CEL-SCI's use of the Cambrex manufacturing facility for the three months ended January 10, 2002 to produce MULTIKINE for CEL-SCI's clinical trials. The amount due Cambrex bears interest at the prime interest rate, plus 3%, which is adjusted monthly. The note is due in full, including accrued interest, on January 2, 2004. As of September 15, 2003 CEL-SCI had made \$485,525 in principal payments on the note. Cambrex, at its option, may convert all or part of the amount due Cambrex into shares of CEL-SCI's common stock. The number of shares to be issued to Cambrex upon any conversion of the note will be determined by dividing that portion of the note to be converted by the Conversion Price. The "Conversion Price" is an amount equal to 90% of the average of the closing prices of CEL-SCI's common stock for the three trading days immediately prior to the conversion date. The Conversion Price may not be less than \$0.22. As of September 15, 2003 Cambrex had not converted any part of the note into shares of CEL-SCI's common stock.

Equity Line of Credit

An unknown number of shares of common stock, which may be sold by means of this prospectus, are issuable under an equity line of credit arrangement to Rubicon Group Ltd. As CEL-SCI sells shares of its common stock to Rubicon Group under the equity line of credit, and Rubicon Group sells the common stock to third parties, the price of CEL-SCI's common stock may decrease due to the additional shares in the market. If CEL-SCI decides to draw down on the equity line of credit as the price of its common stock decreases, CEL-SCI will be required to issue more shares of its common stock for any given dollar amount invested by Rubicon Group, subject to the minimum selling price specified by CEL-SCI. The more shares that are issued under the equity line of credit, the more CEL-SCI's then outstanding shares will be diluted and the more CEL-SCI's stock price may decrease. Any decline in the price of CEL-SCI's common stock may

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encourage short sales, which could place further downward pressure on the price of CEL-SCI's common stock. Short selling is a practice of selling shares which are not owned by a seller with the expectation that the market price of the shares will decline in value after the sale. See "Equity Line of Credit Agreement" for more information concerning the equity line.

COMPARATIVE SHARE DATA

	Number of Shares	Note Reference
Shares outstanding as of September 15, 2003	60,753,294	

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Shares to be sold in this Offering:

Shares issuable pursuant to the Equity Line of Credit Agreement	Unkown	A
Shares issuable upon exercise of warrants	395,726	A

The number of shares outstanding as of August 31, 2003 excludes shares which may be issued in connection with CEL-SCI's line of credit or upon the exercise of other options, warrants, or convertible securities previously issued by CEL-SCI. See table below.

Other Shares Which May Be Issued:

The following table lists additional shares of CEL-SCI's common stock which may be issued pursuant to the equity line of credit agreement and as the result of the exercise of other outstanding options or warrants issued by CEL-SCI:

	Number of Shares	Note Reference
Shares issuable upon conversion of Series H notes	556,000	B
Shares issuable upon exercise of Series H warrants	550,000	B
Shares issuable upon exercise of Series E, F, G and I warrants	2,809,109	C
Shares issuable upon exercise of equity line warrants	200,800	D
Shares issuable upon conversion of Cambrex note	946,000	E
13		
Shares issuable upon exercise of options and warrants granted to CEL-SCI's officers, directors, employees, consultants, and third parties	10,698,640	F
Shares issuable upon exercise of options granted to investor relations consultants	200,000	G

A. An unknown number of shares of common stock are issuable under the equity line of credit agreement between CEL-SCI and Rubicon Group Ltd. As consideration for extending the equity line of credit, CEL-SCI granted Rubicon Group warrants to purchase 395,726 shares of common stock at a price of \$0.83 per share at any time prior to September 16, 2008. See the section of this prospectus captioned "Equity Line of Credit Agreement" for more information regarding the equity line.

B. In January and July 2003, CEL-SCI sold Series H convertible notes, plus Series H warrants, to a group of private investors for \$1,350,000. At the holder's option the notes are convertible into shares of CEL-SCI'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. If the closing price of CEL-SCI's common stock is less than \$0.50 on any conversion date, the Conversion

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Price will be 76% of the average of the three lowest daily trading prices of CEL-SCI's common stock on the American Stock Exchange during the 15 trading days immediately prior to the conversion date. If the closing price of CEL-SCI's common stock is \$0.50 or greater on any conversion date, the Conversion Price will be 70% of the average of the three lowest daily trading prices of CEL-SCI's common stock on the American Stock Exchange during the 15 trading days immediately prior to the conversion date. The Conversion Price may not be less than \$0.16. However, if CEL-SCI's common stock trades for less than \$0.21 per share for a period of 20 consecutive trading days, the \$0.16 minimum price will no longer be applicable.

The Series H warrants allow the holders to initially purchase up to 550,000 shares of CEL-SCI's common stock at a price of \$0.25 per share at any time prior to January 7, 2010.

The Conversion Price, the warrant exercise price, and the number of shares issuable upon the exercise of the warrants are subject to adjustment under those conditions explained in the section of the prospectus entitled "Description of Securities".

As of September 15, 2003 Series H notes in the principal amount of \$1,050,000 had been converted into 2,637,419 shares of CEL-SCI's common stock. The actual number of additional shares issuable upon the conversion of the Series H notes will vary depending upon a number of factors, including the price of CEL-SCI's common stock at certain dates. Accordingly, the number of shares which may be issued upon the conversion of the Series H notes cannot be determined at this time. However, based upon the market price of CEL-SCI's common stock on September 15, 2003, CEL-SCI would be required to issue approximately 556,000 shares of common stock if all outstanding notes were converted on September 15, 2003.

C. The Series E warrants collectively allow the holders to purchase up to 815,351 additional shares of CEL-SCI's common stock at a price of \$1.19 per

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share at any time prior to August 16, 2004 and 23,758 shares of common stock at a price of \$0.77 per share at any time prior to August 17, 2006.

In December 2001 and January 2002, CEL-SCI sold Series F convertible notes, plus Series F warrants, to a group of private investors for \$1,600,000. As of December 31, 2002 all of the Series F notes had been converted into 6,592,461 shares of CEL-SCI's common stock. The Series F warrants presently allow the holders to purchase up to 420,000 shares of CEL-SCI's common stock at a price of \$0.153 per share at any time prior to December 31, 2008.

In July and September 2002, CEL-SCI sold Series G convertible notes, plus Series G warrants, to a group of private investors for \$1,300,000. As of June 20, 2003 all of the Series G notes had been converted into 8,390,746 shares of CEL-SCI's common stock. The Series G warrants allow the holders to purchase up to 450,000 shares of CEL-SCI's common stock at a price of \$0.145 per share at any time prior to July 12, 2009.

In May 2003 CEL-SCI sold shares of its common stock plus Series I warrants to a private investor. The Series I warrants allow the holder to purchase 1,100,000 shares of CEL-SCI's common stock at a price of \$0.47 per share at any time prior to May 30, 2008.

The warrant exercise price, and the number of shares issuable upon the exercise of the Series F and Series G warrants are subject to adjustment under

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those conditions explained in the section of the prospectus entitled "Description of Securities".

D. In 2001 CEL-SCI entered into an equity line of credit agreement with Paul Revere Capital Partners. During the term the equity line of credit, which expired in June 2003, CEL-SCI received net proceeds of \$2,074,692 from the sale of 5,430,960 shares of common stock pursuant to the terms of the equity line. As consideration for extending the equity line of credit, CEL-SCI granted Paul Revere Capital Partners warrants to purchase 200,800 shares of common stock at a price of \$1.64 per share at any time prior to April 11, 2004.

E. In November 2001 CEL-SCI gave a promissory note in the principal amount of \$1,172,517 to Cambrex Bio Sciences, Inc. The note represented the cost of CEL-SCI's use of the Cambrex manufacturing facility for the three months ended January 10, 2002 to produce MULTIKINE for CEL-SCI's clinical trials. The amount due Cambrex bears interest at the prime interest rate, plus 3%, which is adjusted monthly. The note is due in full, including accrued interest, on January 2, 2004. As of September 15, 2003 CEL-SCI had made \$485,525 in principal payments on the note. Cambrex, at its option, may convert all or part of the amount due Cambrex into shares of CEL-SCI's common stock. The number of shares to be issued to Cambrex upon any conversion of the note will be determined by dividing that portion of the note to be converted by the Conversion Price. The "Conversion Price" is an amount equal to 90% of the average of the closing prices of CEL-SCI's common stock for the three trading days immediately prior to the conversion date. The Conversion Price may not be less than \$0.22. As of September 15, 2003 Cambrex had not converted any part of the note into shares of CEL-SCI's common stock. The actual number of additional shares issuable upon the conversion of the Cambrex note will vary depending upon a number of factors, including the price of CEL-SCI's common stock at certain dates. Accordingly, the number of shares which may be issued upon the conversion of the Cambrex note

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cannot be determined at this time. However, based upon the market price of CEL-SCI's common stock on September 15, 2003, CEL-SCI would be required to issue approximately 946,000 shares of common stock if all outstanding notes were converted on September 15, 2003.

F. The options are exercisable at prices ranging from \$0.16 to \$11.00 per share. CEL-SCI may also grant options to purchase additional shares under its Incentive Stock Option and Non-Qualified Stock Option Plans.

G. CEL-SCI has granted options for the purchase of 200,000 shares of common stock to certain investor relations consultants in consideration for services provided to CEL-SCI. The options are exercisable at prices ranging between \$1.63 and \$2.50 per share and expire between February 2004 and June 2006.

The shares referred to in Notes B, C, D and F are being, or will be, offered for sale by means of separate registration statements which have been filed with the Securities and Exchange Commission.

MARKET FOR CEL-SCI'S COMMON STOCK

As of September 15, 2003 there were approximately 2,500 record holders of CEL-SCI's common stock. CEL-SCI's common stock is traded on the American Stock Exchange. Set forth below are the range of high and low quotations for CEL-SCI's common stock for the periods indicated as reported on the American Stock Exchange. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

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Quarter Ending	High	Low
12/31/00	\$2.54	\$1.00
3/31/01	\$3.30	\$1.30
6/30/01	\$1.85	\$1.16
9/30/01	\$1.94	\$1.02
12/31/01	\$1.80	\$0.72
3/31/02	\$1.28	\$0.52
6/30/02	\$0.56	\$0.27
9/30/02	\$0.52	\$0.16
12/31/02	\$0.29	\$0.19
3/31/03	\$0.27	\$0.15
6/30/03	\$1.35	\$0.20

Holders of Common Stock are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefore and, in the event of liquidation, to share pro rata in any distribution of CEL-SCI's assets after payment of liabilities. The Board of Directors is not obligated to

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declare a dividend. CEL-SCI has not paid any dividends on its common stock and CEL-SCI does not have any current plans to pay any common stock dividends.

The provisions in CEL-SCI's Articles of Incorporation relating to CEL-SCI's Preferred Stock would allow CEL-SCI's directors to issue Preferred Stock with rights to multiple votes per share and dividend rights which would have priority over any dividends paid with respect to CEL-SCI's Common Stock. The issuance of Preferred Stock with such rights may make more difficult the removal of management even if such removal would be considered beneficial to shareholders generally, and will have the effect of limiting shareholder participation in certain transactions such as mergers or tender offers if such transactions are not favored by incumbent management.

The market price of CEL-SCI's common stock, as well as the securities of other biopharmaceutical and biotechnology companies, have historically been highly volatile, and the market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. Factors such as fluctuations in CEL-SCI's operating results, announcements of technological innovations or new therapeutic products by CEL-SCI or its competitors, governmental regulation, developments in patent or other proprietary rights, public concern as to the safety of products developed by CEL-SCI or other biotechnology and pharmaceutical companies, and general market conditions may have a significant effect on the market price of CEL-SCI's Common Stock.

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MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following selected financial data should be read in conjunction with the more detailed financial statements, related notes and other financial

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information included herein. Certain amounts reported in previous years have been reclassified to conform to the classifications being used as of and for the year ended September 30, 2002 and the nine months ended June 30, 2003.

	For the Years Ended September 30,				
	2002	2001	2000	1999	
	-----	-----	-----	-----	-----
Grant Revenue and Other:	\$ 384,939	\$293,871	\$ 40,540	\$66,687	\$ 6
Operating Expenses:					
Research and Development	4,699,909	7,762,213	5,186,065	4,662,226	3,83
Depreciation and Amortization	226,514	209,121	220,994	268,210	29
General and Administrative	1,754,332	3,432,437	3,513,889	3,029,807	3,10
Interest Income	(85,322)	(376,221)	(402,011)	(402,831)	(72
Interest Expense	2,131,750	--	--	--	
Net Loss	\$ (8,342,244)	\$ (10,733,679)	\$ (8,478,397)	\$ (7,490,725)	\$ (6,44
Net loss attributable to common stock holders	\$ (9,989,988)	\$ (11,104,251)	\$ (8,478,397)	\$ (7,490,725)	\$ (6,44
Net loss per common share (basic and diluted)	\$ (0.35)	\$ (0.51)	\$ (0.44)	\$ (0.52)	\$
Weighted average common shares outstanding	28,746,341	21,824,273	19,259,190	14,484,352	11,37

	Nine Months Ended June 30,	
	2003	2002
	-----	-----
Grant Revenue and Other:	\$197,520	\$307,974
Operating Expenses:		
Research and Development	1,408,225	3,993,047
Depreciation and Amortization	143,351	170,317
General and Administrative	1,726,265	1,282,948
Interest Income	(40,707)	(68,831)
Interest Expense	1,437,996	1,900,504
Net Loss	\$ (4,477,610)	\$ (6,970,011)
Accrued Dividends on Preferred Stock	(5,844)	(177,464)
Accretion of Beneficial Conversion Feature on Preferred Stock	(74,577)	(1,262,397)
Net loss attributable to common stockholders	\$ (4,558,031)	\$ (8,409,872)
Net loss per common share (basic and diluted)	\$ (0.10)	\$ (0.32)
Weighted average common shares outstanding	47,914,264	26,508,757

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Balance Sheet Data:

September 30,

	2002	2001	2000	1999	1998
	----	----	----	----	----
Working Capital	\$690,804	\$2,801,299	\$11,725,940	\$6,152,715	\$12,926,014
Total Assets	3,771,258	4,508,920	13,808,882	7,559,772	14,431,813
Convertible Debt (included in total liabilities)	639,288	--	--	--	--
Total Liabilities	2,709,087	507,727	847,423	461,586	456,529
Stockholders' Equity	1,062,171	4,001,193	12,961,459	7,098,186	13,975,284

June 30, 2003

Working Capital	\$ 614,490
Total Assets	3,008,673
Convertible Debt	105,702 *
Note Payable - Covance	199,928 *
Note Payable - Cambrex	637,566 *
Total Liabilities	1,783,610
Stockholders' Equity	1,225,063

* Included in total liabilities

No dividends have been declared on CEL-SCI's common stock.

CEL-SCI's net losses for each fiscal quarter during the two years ended September 30, 2002 and the nine months ended June 30, 2003.

Quarter	Net Loss	Net Loss per Share
12-31-00	\$ (2,543,489)	\$ (0.12)
03-31-01	\$ (3,633,943)	\$ (0.18)
06-30-01	\$ (2,045,155)	\$ (0.09)
09-30-01	\$ (2,511,092)	\$ (0.12)
12-31-01	\$ (2,920,620)	\$ (0.16)
03-31-02	\$ (1,937,912)	\$ (0.10)
06-30-02	\$ (2,111,479)	\$ (0.08)
09-30-02	\$ (1,372,233)	\$ (0.05)
12-31-02	\$ (1,682,865)	\$ (0.04)
03-31-03	\$ (1,032,181)	\$ (0.02)
06-30-03	\$ (1,770,763)	\$ (0.03)

Results of Operations

Fiscal 2002

Grant revenue and other is primarily grant money received in payment of some research and development expenses. Research and development expenses in

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fiscal year 2002 declined significantly because CEL-SCI completed its current production of MULTIKINE(R) during the first quarter. This supply will be used in future clinical trials. During the fiscal year, CEL-SCI instituted a cost

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reduction program and reduced its workforce significantly. Hence, both research and development costs and general and administrative costs declined from the previous fiscal years. General and administrative expenses also declined due to the reversal of compensation charges of \$593,472 resulting from a decline in the intrinsic value of options re-priced to employees. Interest income during the year ended September 30, 2002 reflects interest accrued and received on certificates of deposit. Because CEL-SCI issued Series F and Series G convertible notes during fiscal year 2002, there is a significant charge to interest expense during the year for the expensing of the discount on the notes and the deferred financing costs incurred for the issuance of these notes. This discount relates primarily to the value of the warrants received in the offering and the value of the beneficial conversion feature of the notes.

Fiscal 2001

Research and development expenses in fiscal year 2001 are substantially higher than the prior period due to costs involved in manufacturing substantial quantities of MULTIKINE for use in future clinical trials and costs involved in validating the manufacturing process. General and Administrative expenses increased slightly due to compensation charges of \$593,472 for options to employees that were repriced and compensation charges of \$316,500 for options and common stock granted to persons other than employees for services rendered to CEL-SCI during fiscal year 2001. These increases were offset by a decrease of \$288,000 for compensation charges related to the common stock bonus granted to an officer. Interest income during the year ended September 30, 2001 reflects interest accrued and received on investments.

Fiscal 2000

Research and development expense in fiscal year 2000 is higher than in fiscal year 1999 because CEL-SCI is running more and larger clinical trials. General and administrative expenses increased due to the lawsuit brought by former directors which was settled in May of 2000. Interest income during the year ended September 30, 2000 reflects interest received and accrued on investments.

Three and Nine Months Ended June 30, 2003

Grant revenues and other was lower during the three and nine months ended June 30, 2003 due to the winding down of the project for which CEL-SCI receives grant money. Research and development expenses declined because CEL-SCI completed its current production of MULTIKINE(R) during fiscal year 2002. General and administrative expenses were higher during the nine months ended June 30, 2002 since there was a reversal of a 2001 fiscal year charge of \$593,472 resulting from a decline in the intrinsic value of the options repriced to employees. Interest income during the three and nine months ended June 30, 2003 was less than it was during the same periods in fiscal year 2002 as a result of CEL-SCI's smaller cash position and lower interest rates on interest bearing accounts. During the nine months ended June 30, 2003 and 2002, interest expense was \$1,437,996 and \$1,900,504, respectively. During the three months ended June 30, 2003 and 2002 interest expense was \$771,138 and \$1,074,136, respectively. Interest expense for all periods presented is primarily a non-cash

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item incurred to account for amortization of the discounts and deferred financing costs related to the issuance of the convertible notes and for interest expense on the note payable to Cambrex.

Liquidity and Capital Resources

CEL-SCI has had only limited revenues from operations since its inception in March 1983. CEL-SCI has relied primarily upon proceeds realized from the public and private sale of its common and preferred stock and convertible notes to meet its funding requirements. Funds raised by CEL-SCI have been expended primarily in connection with the acquisition of an exclusive worldwide license to certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system, patent applications, the repayment of debt, the continuation of Company-sponsored research and development, administrative costs and construction of laboratory facilities. Inasmuch as CEL-SCI does not anticipate realizing revenues until such time as it enters into licensing arrangements regarding the technology and know-how licensed to it (which could take a number of years), CEL-SCI is mostly dependent upon the proceeds from the sale of its securities to meet all of its liquidity and capital resource requirements.

In fiscal year 2002, CEL-SCI reduced its discretionary expenditures. If necessary, CEL-SCI plans to further reduce discretionary expenditures in fiscal 2003; however such reductions would further delay the development of CEL-SCI's products.

During fiscal year 2003, CEL-SCI expects that it will spend significantly less on research, development, and clinical trials, mainly due to the completion of CEL-SCI's manufacturing validation program. CEL-SCI plans to use its existing financial resources, the proceeds from the sale of its common stock under the equity line of credit agreement with Rubicon Capital, and the proceeds from the issuance of convertible debt to fund its capital requirements during this period.

Other than funding operating losses, funding its research and development program, and paying its liabilities, CEL-SCI does not have any material capital commitments. Material future liabilities as of August 31, 2003 are as follows:

Contractual Obligations:	Years Ending September 30,		
Total	2003	2004	2005
-----	----	----	----
Notes Payable			
Cambrex	\$686,992	\$ --	\$ 686,992
Covance	199,928	--	199,928
Convertible Debt	450,000	--	450,000
Leases	76,027	18,634	57,393
Interest and Dividends	68,602	68,602	--
	-----	-----	-----
	\$1,481,549	\$ 87,236	\$ 944,313
	=====	=====	=====
		\$ 450,000	

It should be noted that substantial additional funds will be needed for more extensive clinical trials which will be necessary before CEL-SCI will be able to apply to the FDA for approval to sell any products which may be developed on a commercial basis throughout the United States. In the absence of revenues, CEL-SCI will be required to raise additional funds through the sale of

securities, debt financing or other arrangements in order to continue with its research efforts. However, there can be no assurance that such financing will be available or be available on favorable terms. It is the opinion of management that sufficient funds will be available from external financing and additional capital and/or expenditure reduction in order to meet CEL-SCI's liabilities and commitments as they come due during fiscal year 2003. Ultimately, CEL-SCI must complete the development of its products, obtain appropriate regulatory approvals and obtain sufficient revenues to support its cost structure.

CEL-SCI's cash flow and earnings are subject to fluctuations due to changes in interest rates on its certificates of deposit, and, to an immaterial extent, foreign currency exchange rates.

Equity Line of Credit

In order to provide a possible source of funding for CEL-SCI's current activities and for the development of its current and planned products, CEL-SCI entered into an equity line of credit agreement with Rubicon Group Ltd.

Under the equity line of credit agreement, Rubicon Group has agreed to provide CEL-SCI with up to \$10,000,000 of funding during a two year period beginning with the date of this prospectus. During this period, CEL-SCI may request a drawdown under the equity line of credit by selling shares of its common stock to Rubicon Group, and Rubicon Group will be obligated to purchase the shares. The minimum amount CEL-SCI can draw down at any one time is \$100,000, and the maximum amount CEL-SCI can draw down at any one time will be determined at the time of the drawdown request using a formula contained in the equity line of credit agreement. CEL-SCI may request a drawdown once every 22 trading days, although CEL-SCI is under no obligation to request any drawdowns under the equity line of credit.

During the 22 trading days following a drawdown request, CEL-SCI will calculate the number of shares it will sell to Rubicon Group 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 CEL-SCI's common stock during each of the 22 trading days immediately following the drawdown date, less a discount of 11%.

Covance AG

On October 8, 2002, the Company signed an agreement with Covance AG (Covance), a Swiss Corporation. Pursuant to the agreement, amounts owed to Covance totaling \$199,928 as of June 30, 2003 were converted to a note payable. The note is payable on January 2, 2004. Interest will be payable monthly at an annual rate of 8%. Until the entire amount has been paid to Covance, Covance is entitled to receive 2% of any draw-down of the Company's equity credit line, 2% of any net funds received from outside financings of less than \$1 million, 3% of any net funds received from outside financings greater than \$1 million but less than \$2 million and 4% of any net funds received from outside financings greater than \$2 million. During the nine months ended June 30, 2003, the Company paid \$39,430 to Covance in accordance with the agreement.

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Eastern Biotech

In May 2003, CEL-SCI entered into an agreement with Eastern Biotech which provided Eastern Biotech with the following (i) the exclusive right to distribute MULTIKINE and CEL-1000 in Greece, Serbia and Croatia, (ii) a royalty equal to 2% of CEL-SCI's net sales of MULTIKINE and CEL-1000 prior to May 30, 2003, (iii) 1,100,000 shares of CEL-SCI's common stock and, (iv) warrants which allow Eastern Biotech to purchase an additional 1,100,000 shares of CEL-SCI's common stock at a price of \$0.47 per share at any time prior to May 30, 2008. In consideration for the above Eastern Biotech paid CEL-SCI \$500,000. Eastern Biotech will lose its exclusive right to distribute CEL-SCI's products unless Eastern Biotech has enrolled at least 20 patients in a controlled, mutually designed head and neck cancer clinical trial by June 1, 2004.

Cambrex Bio Science Promissory Note

In November 2001 CEL-SCI gave a promissory note to Cambrex Bio Sciences, Inc., the owner of the manufacturing facility used by CEL-SCI to produce MULTIKINE for CEL-SCI's clinical trials. The promissory note was in the principal amount of \$1,172,517 which represented the cost of CEL-SCI's use of the Cambrex manufacturing facility for the three months ended January 10, 2002. The amount due Cambrex bears interest at the prime interest rate, plus 3%, which is adjusted monthly. The note is due in full, including accrued interest, on January 2, 2004. Pursuant to the agreement, CEL-SCI surrendered a cash deposit and transferred title to certain equipment to Cambrex, which reduced the amount due by \$225,000. Until the note is paid in full, CEL-SCI has agreed to pay Cambrex 10% of all amounts received by CEL-SCI, net of financing costs, from any future financings, including amounts received by CEL-SCI from its equity line of credit. As of September 15, 2003 CEL-SCI had made \$485,525 in principal payments on the note. Cambrex, at its option, may convert all or part of the amount due Cambrex into shares of CEL-SCI's common stock. The number of shares to be issued to Cambrex upon any conversion of the note will be determined by dividing that portion of the note to be converted by the Conversion Price. The "Conversion Price" is an amount equal to 90% of the average of the closing prices of CEL-SCI's common stock for the three trading days immediately prior to the conversion date. However, the Conversion Price may not be less than \$0.22. As of September 15, 2003 Cambrex had not converted any part of the note into shares of CEL-SCI's common stock.

Convertible Notes

In December 2001 and January 2002, CEL-SCI sold Series F convertible notes, plus Series F warrants, to a group of private investors for \$1,600,000. As of November 30, 2002 these notes had been converted into 6,592,461 shares of CEL-SCI's common stock.

In July and September 2002, CEL-SCI sold Series G convertible notes, plus Series G warrants, to a group of private investors for \$1,300,000. As of July 31, 2003 all of the Series G notes had been converted into 8,390,746 shares of CEL-SCI's common stock.

On January and July 2003, CEL-SCI sold Series H convertible notes, plus Series H warrants, to a group of private investors for \$1,350,000. The notes bear interest at 7% per year, are due and payable on January 7, 2005 and are secured by substantially all of CEL-SCI's assets. Interest is payable quarterly. If CEL-SCI fails to make any interest payment when due, the notes will become immediately due and payable.

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See "Description of Securities" for further information regarding other terms of the Series H notes.

Critical Accounting Policies

CEL-SCI's significant accounting policies are more fully described in Note 1 to the Consolidated Financial Statements. However, certain accounting policies are particularly important to the portrayal of financial position and results of operations and require the application of significant judgments by management. As a result, the consolidated financial statements are subject to an inherent degree of uncertainty. In applying those policies, management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. These estimates are based on CEL-SCI's historical experience, terms of existing contracts, observance of trends in the industry and information available from outside sources, as appropriate. Our significant accounting policies include:

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

Stock Options - In October 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). This statement encourages but does not require companies to account for employee stock compensation awards based on their estimated fair value at the grant date with the resulting cost charged to operations. CEL-SCI has elected to continue to account for its employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. Options to non-employees are accounted for in accordance with FASB's Emerging Issues Task Force (EITF) Issue 96-18 Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. Accordingly, compensation is recognized when goods or services are received and is measured using the Black-Scholes valuation model. The Black-Scholes model requires management to make assumptions regarding the fair value of the options at the date of grant and the expected life of the options.

Asset Valuations and Review for Potential Impairments - CEL-SCI reviews its fixed assets every fiscal quarter. This review requires that CEL-SCI make assumptions regarding the value of these assets and the changes in circumstances

that would affect the carrying value of these assets. If such analysis indicates that a possible impairment may exist, CEL-SCI is then required to estimate the fair value of the asset and, as deemed appropriate, expense all or a portion of the asset. The determination of fair value includes numerous uncertainties, such as the impact of competition on future value. CEL-SCI believes that it has made reasonable estimates and judgments in determining whether our long-lived assets have been impaired; however, if there is a material change in the assumptions used in our determination of fair values or if there is a material change in economic conditions or circumstances influencing fair value, CEL-SCI could be required to recognize certain impairment charges in the future.

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Convertible Notes - Convertible notes were issued during the year. CEL-SCI initially offset a portion of the notes with a discount representing the relative fair value of the warrants and a beneficial conversion feature discount. This discount is amortized to interest expense over the period the notes are outstanding. The fair value of the warrants and the beneficial conversion discount are calculated based on available market data using appropriate valuation models. These valuations require that CEL-SCI make assumptions and estimates regarding the convertible notes and warrants. Management uses its judgment, as well as outside sources, to determine these assumptions and estimates.

Quantitative and Qualitative Disclosure About Market Risks

Market risk is the potential change in an instrument's value caused by, for example, fluctuations in interest and currency exchange rates. CEL-SCI has no derivative financial instruments or debt. Further, there is no exposure to risks associated with foreign exchange rate changes because none of the operations of CEL-SCI are transacted in a foreign currency. The interest rate risk on investments is considered immaterial due to the dollar value of investments as of September 30, 2002 and June 30, 2003. CEL-SCI has a note payable with an interest rate at prime plus 3%. This represents a market risk if the prime interest rate rises. However, based on the Federal Reserve Board's actions, CEL-SCI believes that a large increase in the prime rate is unlikely in the near future.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives not be amortized but will rather be tested at least annually for impairment. CEL-SCI adopted SFAS No. 142 on October 1, 2002. There was not a material impact from the implementation of SFAS No. 142 on its consolidated financial position, results of operations or cash flows.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. There was not a material impact from

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the adoption of SFAS No. 143 on its consolidated financial position, results of operations, or cash flows.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board Statement ("APB") 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business. CEL-SCI adopted SFAS No. 144 on October 1, 2002. The adoption of SFAS No. 144 did not have a material effect on its consolidated financial position, results of operations or cash flows.

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In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 requires the classification of gains and losses from extinguishments of debt as extraordinary items only if they meet certain criteria for such classification in APB No. 30, "Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions". Any gain or loss on extinguishments of debt classified as an extraordinary item in prior periods that does not meet the criteria must be reclassified to other income or expense. These provisions are effective for fiscal years beginning after May 15, 2002. Additionally, SFAS No. 145 requires sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. These lease provisions are effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 did not have a material effect on CEL-SCI's consolidated financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 replaces "Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material effect on CEL-SCI's consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued Statement No. 148 (SFAS No. 148), "Accounting for Stock-Based Compensation - Transition and Disclosure" which amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and requires more prominent and more frequent disclosures in the financial statements of the effects of stock-based compensation. The provisions of SFAS 148 are effective for fiscal years ending

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after December 15, 2002 and the interim disclosure provisions are effective for interim periods beginning after December 15, 2002. CEL-SCI has adopted SFAS No. 148 and has provided the required interim disclosures in Note A to its financial statements for the three months ended March 31, 2003 which are included as part of this prospectus.

In April 2003, the FASB issued SFAS No. 149 "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities". The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted similarly. In particular, SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative as discussed in Statement 133. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 amends certain other existing pronouncements. Those changes

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will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this SFAS No. 149 did not have a material effect on CEL-SCI's financing position, results of operations or cash flows.

In May 2003, the FASB adopted SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material effect on CEL-SCI's financial position, results of operations or cash flows.

BUSINESS

CEL-SCI Corporation (the "Company") was formed as a Colorado corporation in 1983. CEL-SCI is involved in the research and development of the drugs and vaccines described below.

MULTIKINE

CEL-SCI's first, and main, product, MULTIKINE(R), manufactured using CEL-SCI's proprietary cell culture technologies, is a combination, or "cocktail", of natural human interleukin-2 ("IL-2") and certain lymphokines and cytokines. MULTIKINE is being tested to determine if it is effective in improving the immune response of cancer patients.

MULTIKINE has been tested in over 190 patients in clinical trials conducted in the U.S., Canada, Europe and Israel. Most of these patients were head and neck cancer patients, but some studies were also conducted in prostate cancer patients, HIV-infected patients and HIV-infected women with Human

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Papilloma Virus ("HPV")-induced cervical dysplasia, the precursor stage before the development of cervical cancer. The safety profile was found to be very good and CEL-SCI believes that the tumor response data suggests that further studies are warranted. CEL-SCI is currently conducting one additional Phase II head and neck cancer study and one study with HIV-infected women with HPV-induced cervical dysplasia.

The function of the immunological system is to protect the body against infectious agents, including viruses, bacteria, parasites and malignant (cancer) cells. An individual's ability to respond to infectious agents and to other substances (antigens) recognized as foreign by the body's immune system is critical to health and survival. When the immune response is adequate, infection is usually combated effectively and recovery follows. Severe infection can occur when the immune response is inadequate. Such immune deficiency can be present from birth but, in adult life, it is frequently acquired as a result of intense sickness or as a result of the administration of chemotherapeutic drugs and/or radiation. It is also recognized that, as people reach middle age and thereafter, the immune system grows weaker.

Two classes of white blood cells, macrophages and lymphocytes, are believed to be primarily responsible for immunity. Macrophages are large cells whose principal immune activity is to digest and destroy infectious agents.

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Lymphocytes are divided into two sub-classes. One sub-class of lymphocytes, B-cells, produces antibodies in response to antigens. Antibodies have unique combining sites (specificities) that recognize the shape of particular antigens and bind with them. The combination of an antibody with an antigen sets in motion a chain of events which may neutralize the effects of the foreign substance. The other sub-class of lymphocytes, T-cells, regulates immune responses. T-cells, for example, amplify or suppress antibody formation by B-cells, and can also directly destroy "foreign" cells by activating "killer cells."

It is generally recognized that the interplay among T-cells, B-cells and the macrophages determines the strength and breadth of the body's response to infection. It is believed that the activities of T-cells, B-cells and macrophages are controlled, to a large extent, by a specific group of hormones called cytokines. Cytokines regulate and modify the various functions of both T-cells and B-cells. There are many cytokines, each of which is thought to have distinctive chemical and functional properties. IL-2 is but one of these cytokines and it is on IL-2 and its synergy with other cytokines that CEL-SCI has focused its attention. Scientific and medical investigation has established that IL-2 enhances immune responses by causing activated T-cells to proliferate. Without such proliferation no immune response can be mounted. Other cytokines support T-cell and B-cell proliferation. However, IL-2 is the only known cytokine which causes the proliferation of T-cells. IL-2 is also known to activate B-cells in the absence of B-cell growth factors.

Although IL-2 is one of the best characterized cytokines with anticancer potential, CEL-SCI is of the opinion that to have optimum therapeutic value, IL-2 should be administered not as a single substance but rather as a mixture of IL-2 and certain cytokines, i.e. as a "cocktail". This approach, which was pioneered by CEL-SCI, makes use of the synergism between these cytokines. It should be noted, however, that neither the FDA nor any other agency has determined that CEL-SCI's MULTIKINE product will be effective against any form of cancer.

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It has been reported by researchers in the field of cytokine research that IL-2 can increase the number of killer T-cells produced by the body, which improves the body's capacity to selectively destroy specific tumor cells. Research and human clinical trials sponsored by CEL-SCI have indicated a correlation between administration of MULTIKINE to cancer patients and immunological responses. On the basis of these experimental results, CEL-SCI believes that MULTIKINE may have application for the treatment of solid tumors in humans.

In November 1990, the Florida Department of Health and Rehabilitative Services ("DHRS") gave the physicians at a southern Florida medical institution approval to start a clinical cancer trial in Florida using CEL-SCI's MULTIKINE product. The focus of the trial was unresectable head and neck cancer.

In 1991, four patients with regionally advanced squamous cell cancer of the head and neck were treated with CEL-SCI's MULTIKINE product. The patients had previously received radical surgery followed by x-ray therapy but developed recurrent tumors at multiple sites in the neck and were diagnosed with terminal cancer. The patients had low levels of lymphocytes and evidence of immune deficiency (generally a characteristic of this type of cancer).

Significant tumor reduction occurred in three of the four patients as a result of the treatment with MULTIKINE. Negligible side effects were observed and the patients were treated as outpatients. Notwithstanding the above, it

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should be noted that these trials were only preliminary and were only conducted on a small number of patients. It remains to be seen if MULTIKINE will be effective in treating any form of cancer.

These results caused CEL-SCI to embark on a major manufacturing program for MULTIKINE with the goal of being able to produce a drug that would meet the stringent regulatory requirements for advanced human studies. This program included building a pilot scale manufacturing facility.

Since that time, MULTIKINE has been well tolerated in clinical studies involving approximately 190 patients. Clinical data were presented at the 5th International Congress on Head and Neck Cancer in San Francisco in August, 2000. The study enrolled advanced primary head and neck cancer patients who were treated prior to surgery and/or radiation for 2 weeks. Dr. Dudkevitch from the Department of Otolaryngology at the Rabin Medical Center, Israel, presented data showing that, of the 12 patients treated, two patients had a complete tumor response (100% tumor reduction) following the 2-week treatment with the MULTIKINE regimen. He also noted that upon histopathological examination of the tissue removed during surgery, no tumor residues were found in those patients. Another 4 patients showed a partial (greater than 50%) tumor reduction and six patients had tumor reductions of less than 50%. Two patients refused surgery after treatment with MULTIKINE.

In May 2001, CEL-SCI also started a Phase I clinical trial at the University of Maryland Biotechnology Institute (UMBI). The focus of this study is HIV-infected women with Human Papilloma Virus (HPV)-induced cervical dysplasia, the precursor stage before the development of cervical cancer. The goal of the study is to obtain safety and preliminary efficacy data on MULTIKINE as a treatment for pre-cancerous lesions of the cervix (dysplasia). Most

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cervical dysplasia and cancer is due to infection with HPV. The rationale for using MULTIKINE in the treatment of cervical dysplasia/cancer is that MULTIKINE may safely boost the patients' immune systems to the point where their immune systems can eliminate the virally-induced cancer. Cervical cancer is the second leading cause of cancer death in women worldwide.

The HIV-infected women with HPV-induced cervical dysplasia were chosen as a study group because of the high morbidity and low success rate of current surgical therapies. Since HIV infection results in immune suppression, HPV-induced cervical dysplasia follows a more malignant and aggressive course of disease in such women. Co-infection with HPV is common in HIV-positive women (about 83%) and cervical cancer is considered an AIDS-defining illness.

HPV infection is also a leading health problem in non HIV-infected American college age women. A large concern among women who have HPV-induced cervical dysplasia is that the repeated surgical procedures will lead to a hysterectomy and the inability to bear children.

Results from this ongoing Phase I clinical trial of MULTIKINE in cervical dysplasia in HPV/HIV co-infected women indicated elimination or reduction of dysplasia in seventy-one percent (71%) of the patients, excellent treatment tolerance, and the confirmation of dysplasia elimination or reduction in severity by histopathology.

In November 2000, CEL-SCI concluded a development, supply and distribution agreement with Orient Europharma of Taiwan. The agreement gives Orient Europharma the exclusive marketing rights to MULTIKINE for all cancer indications in Taiwan, Singapore, Hong Kong and Malaysia. The agreement provides

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for Orient Europharma to fund the clinical trials needed to obtain marketing approvals in the four countries for head and neck cancer, naso-pharyngeal cancer and potentially cervical cancer, which are very prevalent in Far East Asia. The Company may use the clinical data generated in these trials to support applications for marketing approvals for MULTIKINE in other parts of the world.

Under the agreement, CEL-SCI will manufacture MULTIKINE and Orient Europharma will purchase the product from CEL-SCI for distribution in the territory. Both parties will share in the revenue from the sale of MULTIKINE.

Proof of efficacy for anti-cancer drugs is a lengthy and complex process. At this early stage of clinical investigation, it remains to be proven that MULTIKINE will be effective against any form of cancer. Even if some form of MULTIKINE is found to be effective in the treatment of cancer, commercial use of MULTIKINE may be several years away due to extensive safety and effectiveness tests that would be necessary before required government approvals are obtained. It should be noted that other companies and research teams are actively involved in developing treatments and/or cures for cancer, and accordingly, there can be no assurance that CEL-SCI's research efforts, even if successful from a medical standpoint, can be completed before those of its competitors.

CEL-SCI uses an unrelated corporation for certain aspects of the production of MULTIKINE for research and testing purposes. The agreement with this corporation expires in 2006.

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T-CELL MODULATION PROCESS

CEL-SCI's patented T-cell Modulation Process uses "heteroconjugates" to direct the body to choose a specific immune response. The heteroconjugate technology, referred to as L.E.A.P.S. (Ligand Epitope Antigen Presentation System), is intended to selectively stimulate the human immune system to more effectively fight bacterial, viral and parasitic infections and cancer, when it cannot do so on its own. Administered like vaccines, L.E.A.P.S. combines T-cell binding ligands with small, disease associated, peptide antigens and may provide a new method to treat and prevent certain diseases.

The ability to generate a specific immune response is important because many diseases are often not combated effectively due to the body's selection of the "inappropriate" immune response. The capability to specifically reprogram an immune response may offer a more effective approach than existing vaccines and drugs in attacking an underlying disease.

CEL-SCI intends to use this technology to develop potential treatments and/or vaccines against various diseases. Present target diseases are herpes simplex, malaria, and myocarditis.

CEL-SCI is involved in the following publicly announced studies which are designed to determine the effectiveness of the L.E.A.P.S. technology in preclinical studies:

Cooperative Research and Development Agreement ("CRADA") with the Naval Medical Research Institute of the U.S. Navy to jointly develop a potential malaria vaccine using the L.E.A.P.S. technology. While at present the number of malaria cases is not a major problem in the continental U.S., there are an increasing number of cases involving Americans bringing the disease home from overseas travels. Currently, there is no approved malaria vaccine anywhere in the world.

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Development of a herpes simplex virus vaccine based on the L.E.A.P.S. technology with funding from the National Institute of Allergy and Infectious Diseases.

Collaborative study for the treatment, and possible prevention, of autoimmune myocarditis with researchers at the Department of Pathology, the Johns Hopkins Medical Institutions, Baltimore, Maryland.

An outgrowth of CEL-SCI's L.E.A.P.S. technology is a new compound called CEL-1000. CEL-1000 has shown protection in animal testing against malaria, herpes simplex and cancer in early studies.

In the Spring of 2002, CEL-SCI, in conjunction with The Naval Medical Research Center, announced that CEL-1000 provided 100% protection against malaria infection in a mouse model. The same peptide also induced protective effects in mouse models for herpes simplex virus and cancer. In the Fall of 2002 CEL-SCI announced that it had signed a Cooperative Research and Development Agreement (CRADA) with the U.S. Navy for CEL-1000 in malaria. CEL-SCI also announced an agreement with the Cincinnati Children's Hospital Medical Center

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(CHMR) of the University of Cincinnati to evaluate CEL-1000 for protection against herpes in the guinea pig vaginal challenge model.

CEL-SCI received two grants in April 2003 and one grant in May 2003. The first grant, totaling \$1,100,000 and announced on April 4, 2003, was awarded by the United States government to Northeastern Ohio Universities College of Medicine and CEL-SCI. The grant is intended to support the development of CEL-SCI's new compound, CEL-1000, as a possible treatment for viral encephalitis, a potentially lethal inflammation of the brain. The grant was awarded following a peer review process and will fund pre-clinical studies leading up to toxicology studies. The grant is for a period of three years. The second grant, announced on April 23, 2003, is a Phase I Small Business Innovation Research (SBIR) grant from the National Heart, Lung and Blood Institute (NHLBI), National Institutes of Health (NIH), in the amount of \$134,000 for the further development of a potential treatment for autoimmune myocarditis, a heart disease. The work will be done in conjunction with scientists at Johns Hopkins Medical Institutions in Baltimore, Maryland. The third grant was announced on May 7, 2003. This grant for \$162,000 is a Phase I SBIR grant from the National Institutes of Allergy and Infectious Diseases, NIH for the further development of CEL-1000 against Herpes Simplex.

RESEARCH AND DEVELOPMENT

Since 1983, and through September 30, 2002, approximately \$44,700,000 has been expended on CEL-SCI-sponsored research and development, including approximately \$4,700,000, \$7,762,000 and \$5,186,000, respectively during the years ended September 30, 2002, 2001 and 2000.

The costs associated with the clinical trials relating to CEL-SCI's technologies, research expenditures and CEL-SCI's administrative expenses have been funded with the public and private sales of shares of CEL-SCI's common stock, preferred stock and borrowings from third parties, including affiliates of CEL-SCI.

CEL-SCI has a Scientific Advisory Board ("SAB") comprised of scientists distinguished in biomedical research in the field of cytokines and related areas. From time to time, members of the SAB advise CEL-SCI on its research

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activities. Institutions with which members of the SAB are affiliated have in the past conducted and may in the future conduct Company-sponsored research. The SAB has in the past and may in the future, at its discretion, invite other scientists to opine in confidence on the merits of CEL-SCI-sponsored research.

The members of CEL-SCI's SAB are:

Michael J. Mastrangelo, M.D. - Professor of Medicine, Jefferson Medical College, Philadelphia, Pennsylvania; and Associate Clinical Director, Jefferson Cancer Center, Philadelphia, Pennsylvania.

Alan B. Morris, Ph.D. - Professor, Department of Biological Sciences, University of Warwick, Coventry, U.K.

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GOVERNMENT REGULATION

The investigational agents and future products of CEL-SCI are regulated in the United States under the Federal Food, Drug and Cosmetic Act, the Public Health Service Act, and the laws of certain states. The Federal Food and Drug Administration (FDA) exercises significant regulatory control over the clinical investigation, manufacture and marketing of pharmaceutical and biological products.

Prior to the time a pharmaceutical product can be marketed in the United States for therapeutic use, approval of the FDA must normally be obtained. Preclinical testing programs on animals, followed by three phases of clinical testing on humans, are typically required in order to establish product safety and efficacy.

The first stage of evaluation, preclinical testing, must be conducted in animals. After lack of toxicity has been demonstrated, the test results are submitted to the FDA along with a request for clearance to conduct clinical testing, which includes the protocol that will be followed in the initial human clinical evaluation. If the applicable regulatory authority does not object to the proposed study, the investigator can proceed with Phase I trials. Phase I trials consist of pharmacological studies on a relatively few number of humans under rigidly controlled conditions in order to establish lack of toxicity and a safe dosage range.

After Phase I testing is completed, one or more Phase II trials are conducted in a limited number of patients to test the product's ability to treat or prevent a specific disease, and the results are analyzed for clinical efficacy and safety. If the results appear to warrant confirmatory studies, the data is submitted to the applicable regulatory authority along with the protocol for a Phase III trial. Phase III trials consist of extensive studies in large populations designed to assess the safety of the product and the most desirable dosage in the treatment or prevention of a specific disease. The results of the clinical trials for a new biological drug are submitted to the FDA as part of a product license application ("PLA"), a New Drug Application ("NDA") or Biologics License Application ("BLA"), depending on the type or derivation of the product being studied.

In addition to obtaining FDA approval for a product, a biologics establishment license application ("ELA") may need to be filed in the case of biological products derived from blood, or not considered to be sufficiently well characterized, in order to obtain FDA approval of the testing and manufacturing facilities in which the product is produced. To the extent all or

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a portion of the manufacturing process for a product is handled by an entity other than CEL-SCI, CEL-SCI must similarly receive FDA approval for the other entity's participation in the manufacturing process. Domestic manufacturing establishments are subject to inspections by the FDA and by other Federal, state and local agencies and must comply with Good Manufacturing Practices ("GMP") as appropriate for production. In complying with GMP regulations, manufacturers must continue to expend time, money and effort in the area of production, quality control and quality assurance to ensure full technical compliance.

The process of drug development and regulatory approval requires substantial resources and many years. Approval of drugs and biologicals by

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regulatory authorities of most foreign countries must also be obtained prior to initiation of clinical studies and marketing in those countries. The approval process varies from country to country and the time period required in each foreign country to obtain approval may be longer or shorter than that required for regulatory approval in the United States.

There are no assurances that clinical trials conducted under approvals from foreign countries will be accepted by the FDA. Product licensure in a foreign country does not mean that the product will be licensed by the FDA and there are no assurances that CEL-SCI will receive any approval of the FDA or any other governmental entity for the manufacturing and/or marketing of a product. Consequently, the commencement of the marketing of any Company product is, in all likelihood, many years away.

There can be no assurance that CEL-SCI will be successful in obtaining approvals from any regulatory authority to conduct further clinical trials or to manufacture and sell its products. The lack of regulatory approval for CEL-SCI's products will prevent CEL-SCI from generally marketing its products. Delays in obtaining regulatory approval or the failure to obtain regulatory approval in one or more countries may have a material adverse impact upon CEL-SCI's operations.

COMPETITION AND MARKETING

Many companies, nonprofit organizations and governmental institutions are conducting research on cytokines. Competition in the development of therapeutic agents incorporating cytokines is intense. Large, well-established pharmaceutical companies are engaged in cytokine research and development and have considerably greater resources than CEL-SCI has to develop products. The establishment by these large companies of in-house research groups and of joint research ventures with other entities is already occurring in these areas and will probably become even more prevalent. In addition, licensing and other collaborative arrangements between governmental and other nonprofit institutions and commercial enterprises, as well as the seeking of patent protection of inventions by nonprofit institutions and researchers, could result in strong competition for CEL-SCI. Any new developments made by such organizations may render CEL-SCI's licensed technology and know-how obsolete.

Several biotechnology companies are producing IL-2-like compounds. CEL-SCI believes, however, that it is the only producer of a patented IL-2 product using a patented cell-culture technology with normal human cells. CEL-SCI foresees that its principle competition will come from producers of genetically-engineered IL-2-like products. However, it is CEL-SCI's belief, based upon growing scientific evidence, that its natural IL-2 products have advantages over the genetically engineered, IL-2-like products. Evidence indicates that genetically engineered, IL-2-like products, which lack sugar

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molecules and typically are not water soluble, may be recognized by the immunological system as a foreign agent, leading to a measurable antibody build-up and thereby possibly voiding their therapeutic value. Furthermore, CEL-SCI's research has established that to have optimum therapeutic value IL-2 should be administered not as a single substance but rather as an IL-2-rich mixture of certain cytokines and other proteins, i.e. as a "cocktail". If these

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differences prove to be of importance, and if the therapeutic value of its MULTIKINE product is conclusively established, CEL-SCI believes it will be able to establish a strong competitive position in a future market.

CEL-SCI has not established a definitive plan for marketing nor has it established a price structure for CEL-SCI's saleable products. However, CEL-SCI intends, if CEL-SCI is in a position to begin commercialization of its products, to enter into written marketing agreements with various major pharmaceutical firms with established sales forces. The sales forces in turn would probably target CEL-SCI's products to cancer centers, physicians and clinics involved in immunotherapy.

CEL-SCI may encounter problems, delays and additional expenses in developing marketing plans with outside firms. In addition, CEL-SCI may experience other limitations involving the proposed sale of its products, such as uncertainty of third-party reimbursement. There is no assurance that CEL-SCI can successfully market any products which they may develop or market them at competitive prices.

Some of the clinical trials funded to date by CEL-SCI have not been approved by the FDA, but rather have been conducted pursuant to approvals obtained from certain states and foreign countries. Conducting clinical studies in foreign countries is normal industry practice since these studies can often be completed in less time and are less expensive than studies conducted in the U.S. Conducting clinical studies in foreign countries is also beneficial since CEL-SCI will need the approval from a foreign country prior to the time CEL-SCI can market any of its drugs in the foreign country. However, since the results of these clinical trials may not be accepted by the FDA, competitors conducting clinical trials approved by the FDA may have an advantage in that the products of such competitors are further advanced in the regulatory process than those of CEL-SCI. CEL-SCI is conducting its trials in compliance with internationally recognized standards. By following these standards, CEL-SCI anticipates obtaining acceptance from world regulatory bodies, including the FDA.

PROPERTIES

CEL-SCI leases office space at 8229 Boone Blvd., Suite 802, Vienna, Virginia at a monthly rental of approximately \$7,800. CEL-SCI believes this arrangement is adequate for the conduct of its present business.

CEL-SCI has a 17,900 square foot laboratory which is leased by CEL-SCI at a cost of approximately \$11,200 per month. The laboratory lease expires in 2004, with extensions available until 2014.

MANAGEMENT

Officers and Directors

Name	Age	Position
Maximilian de Clara	73	Director and President

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Geert R. Kersten, Esq. 43 Director, Chief Executive Officer and Treasurer

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Name	Age	Position
Patricia B. Prichep	50	Senior Vice President of Operations and Secretary
Dr. Eyal Talor	46	Senior Vice President of Research and Manufacturing
Dr. Daniel H. Zimmerman	60	Senior Vice President of Research, Cellular Immunology
Alexander G. Esterhazy	57	Director
Dr. C. Richard Kinsolving	67	Director
Peter R. Young	57	Director

The directors of CEL-SCI serve in such capacity until the next annual meeting of CEL-SCI's shareholders and until their successors have been duly elected and qualified. The officers of CEL-SCI serve at the discretion of CEL-SCI's directors.

Mr. Maximilian de Clara, by virtue of his position as an officer and director of CEL-SCI, may be deemed to be the "parent" and "founder" of CEL-SCI as those terms are defined under applicable rules and regulations of the Securities and Exchange Commission.

The principal occupations of CEL-SCI's officers and directors, during the past several years, are as follows:

Maximilian de Clara. Mr. de Clara has been a Director of CEL-SCI since its inception in March 1983, and has been President of CEL-SCI since July 1983. Prior to his affiliation with CEL-SCI, and since at least 1978, Mr. de Clara was involved in the management of his personal investments and personally funding research in the fields of biotechnology and biomedicine. Mr. de Clara attended the medical school of the University of Munich from 1949 to 1955, but left before he received a medical degree. During the summers of 1954 and 1955, he worked as a research assistant at the University of Istanbul in the field of cancer research. For his efforts and dedication to research and development in the fight against cancer and AIDS, Mr. de Clara was awarded the "Pour le Merit" honorary medal of the Austrian Military Order "Merito Navale" as well as the honor cross of the Austrian Albert Schweitzer Society.

Geert R. Kersten, Esq. Mr. Kersten was Director of Corporate and Investment Relations for CEL-SCI between February 1987 and October 1987. In October of 1987, he was appointed Vice President of Operations. In December 1988, Mr. Kersten was appointed Director of the Company. Mr. Kersten also became CEL-SCI's Treasurer in 1989. In May 1992, Mr. Kersten was appointed Chief Operating Officer and in February 1995, Mr. Kersten became CEL-SCI's Chief Executive Officer. In previous years, Mr. Kersten worked as a financial analyst with Source Capital, Ltd., an investment advising firm in McLean, Virginia. Mr. Kersten is a stepson of Maximilian de Clara, who is the President and a Director of CEL-SCI. Mr. Kersten attended George Washington University in Washington, D.C. where he earned a B.A. in Accounting and an M.B.A. with emphasis on International Finance. He also attended law school at American University in Washington, D.C. where he received a Juris Doctor degree.

Patricia B. Prichep has been the Company's Senior Vice President of Operations since March 1994. Between December 1992 and March 1994, Ms. Prichep was the Company's Director of Operations. Ms. Prichep became CEL-SCI's Secretary in May 2000. From June 1990 to December 1992, Ms. Prichep was the Manager of

Quality and Productivity for the NASD's Management, Systems and Support Department. Between 1982 and 1990, Ms. Prichep was Vice President and Operations Manager for Source Capital, Ltd.

Eyal Talor, Ph.D. has been CEL-SCI's Senior Vice President of Research and Manufacturing since March 1994. From October 1993 until March 1994, Dr. Talor was Director of Research, Manufacturing and Quality Control, as well as the Director of the Clinical Laboratory, for Chesapeake Biological Laboratories, Inc. From 1991 to 1993, Dr. Talor was a scientist with SRA Technologies, Inc., as well as the director of SRA's Flow Cytometry Laboratory (1991-1993) and Clinical Laboratory (1992-1993). During 1992 and 1993, Dr. Talor was also the Regulatory Affairs and Safety Officer For SRA. Since 1987, Dr. Talor has held various positions with the Johns Hopkins University, including course coordinator for the School of Continuing Studies (1989-Present), research associate and lecturer in the Department of Immunology and Infectious Diseases (1987-1991), and associate professor (1991-Present).

Daniel H. Zimmerman, Ph.D. has been CEL-SCI's Senior Vice President of Cellular Immunology since January 1996. Dr. Zimmerman founded CELL-MED, Inc. and was its president from 1987-1995. From 1973 to 1987 Dr. Zimmerman served in various positions at Electronucleonics, Inc. including Scientist, Senior Scientist, Technical Director and Program Manager. From 1969-1973 Dr. Zimmerman was a Senior Staff Fellow at NIH.

Alexander G. Esterhazy has been an independent financial advisor since November 1997. Between July 1991 and October 1997 Mr. Esterhazy was a senior partner of Corpofina S.A. Geneva, a firm engaged in mergers, acquisitions and portfolio management. Between January 1988 and July 1991 Mr. Esterhazy was a managing director of DG Bank in Switzerland. During this period Mr. Esterhazy was in charge of the Geneva, Switzerland branch of the DG Bank, founded and served as vice president of DG Finance (Paris) and was the President and Chief Executive officer of DG-Bourse, a securities brokerage firm.

C. Richard Kinsolving, Ph.D. has been a Director of CEL-SCI since April 2001. Since February 1999 Dr. Kinsolving has been the Chief Executive Officer of BioPharmacon, a pharmaceutical development company. Between December 1992 and February 1999 Dr. Kinsolving was the President of Immuno-Rx, Inc., a company engaged in immuno-pharmaceutical development. Between December 1991 and September 1995 Dr. Kinsolving was President of Bestechnology, Inc. a nonmedical research and development company producing bacterial preparations for industrial use. Dr. Kinsolving received his Ph.D. in Pharmacology from Emory University (1970), his Masters degree in Physiology/Chemistry from Vanderbilt University (1962), and his Bachelor's degree in Chemistry from Tennessee Tech. University (1957).

Peter R. Young, Ph.D. has been a Director of CEL-SCI since August 2002. Dr. Young has been a senior executive within the pharmaceutical industry in the United States and Canada for most of his career. Over the last 20 years he has primarily held positions of Chief Executive Officer or Chief Financial Officer and has extensive experience with acquisitions and equity financings. Since November 2001 Dr. Young has been the Chief Operating Officer of Immune Therapies

International, Inc., which has its principal operations in Tucson, Arizona.

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Immune Therapies International treats patients requiring immune system therapy to fight serious diseases such as cancer, multiple sclerosis and hepatitis. Dr. Young received his Ph.D. in Organic Chemistry from the University of Bristol, England (1969), and his Bachelor's degree in Honors Chemistry, Mathematics and Economics also from the University of Bristol, England (1966).

All of CEL-SCI's officers devote substantially all of their time to CEL-SCI's business. Messrs. Esterhazy, Kinsolving and Young, as directors, devote only a minimal amount of time to CEL-SCI.

CEL-SCI has an audit committee and compensation committee. The members of the audit committee are Alexander G. Esterhazy, C. Richard Kinsolving and Peter Young. The members of the compensation committee are Maximilian de Clara, Alexander Esterhazy and C. Richard Kinsolving.

Executive Compensation

The following table sets forth in summary form the compensation received by (i) the Chief Executive Officer of CEL-SCI and (ii) by each other executive officer of CEL-SCI who received in excess of \$100,000 during the fiscal year ended September 30, 2002.

Name and Principal Position	Fiscal Year	Salary (1)	Bonus (2)	Other Annual Compensation (3)	Restricted Stock Awards (4)	Options Granted (5)	All Other Compensation (6)
Maximilian de Clara, President	2002	\$363,000	--	\$46,079	\$ 89,334	75,000	--
	2001	\$357,167	--	\$52,186	\$262,000	95,000	\$ 64
	2000	\$345,583	--	\$72,945	\$550,000	60,000	\$ 64
Geert R. Kersten, Chief Executive Officer and Treasurer	2002	\$346,324	--	\$15,044	\$ 10,929	105,000	--
	2001	\$265,175	--	\$10,462	\$ 8,313	655,000	\$4,114
	2000	\$303,049	--	\$15,349	\$ 10,375	60,000	\$4,114
Patricia B. Prichep Senior Vice President of Operations and Secretary	2002	\$140,464	--	\$ 3,000	\$ 5,597	90,500	--
	2001	\$104,505	--	\$ 3,000	\$ 6,270	260,000	\$ 63
	2000	\$114,430	--	\$ 3,000	\$ 6,998	23,000	\$ 63
Eyal Talor, Ph.D. Senior Vice President of Research and Manufacturing	2002	\$187,075	--	\$ 3,000	\$ 5,702	85,000	--
	2001	157,420	--	\$ 3,000	\$ 9,269	200,000	\$ 63
	2000	\$150,334	--	\$ 3,000	\$ 9,020	50,000	\$ 63
Daniel Zimmerman, Ph.D., Senior Vice President of Cellular Immunology	2002	\$143,583	--	\$ 3,000	\$ 5,763	91,000	--
	2001	\$117,145	--	\$ 3,000	\$ 6,962	175,000	\$ 64
	2000	\$124,165	--	\$ 3,000	\$ 7,450	20,000	\$ 64

(1) The dollar value of base salary (cash and non-cash) received. During the year ended September 30, 2002, \$468,703 of the total salaries paid to the persons shown in the table were paid in restricted shares of CEL-SCI's common stock.

(2) The dollar value of bonus (cash and non-cash) received.

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- (3) Any other annual compensation not properly categorized as salary or bonus, including perquisites and other personal benefits, securities or property. Amounts in the table represent automobile, parking and other transportation expenses, plus, in the case of Maximilian de Clara and Geert Kersten, director's fees of \$8,000. During the year ended September 30, 2002, \$24,250 of the total Other Annual compensation paid to the persons shown in the table were paid in restricted shares of CEL-SCI's common stock.
- (4) During the periods covered by the table, the value of the shares of restricted stock issued as compensation for services to the persons listed in the table. In the case of Mr. de Clara, the shares were issued in consideration for past services rendered to CEL-SCI. In the case of all other persons listed in the table, the shares were issued as CEL-SCI's contribution on behalf of the named officer to CEL-SCI's 401(k) retirement plan.

As of September 30, 2002, the number of shares of CEL-SCI's common stock, owned by the officers included in the table above, and the value of such shares at such date, based upon the market price of CEL-SCI's common stock were:

Name	Shares	Value
Maximilian de Clara	525,421	\$ 95,296
Geert R. Kersten	667,762	\$120,197
Patricia B. Prichep	206,484	\$ 37,167
Eyal Talor, Ph.D.	192,527	\$ 34,655
Daniel Zimmerman, Ph.D.	214,391	\$ 38,590

Dividends may be paid on shares of restricted stock owned by CEL-SCI's officers and directors, although CEL-SCI has no plans to pay dividends.

- (5) The shares of Common Stock to be received upon the exercise of all stock options granted during the periods covered by the Table. Includes certain options issued in connection with CEL-SCI's Salary Reduction Plans as well as certain options purchased from CEL-SCI. See "Options Granted During Fiscal Year Ended September 30, 2002" below.
- (6) All other compensation received that CEL-SCI could not properly report in any other column of the Table including annual Company contributions or other allocations to vested and unvested defined contribution plans, and the dollar value of any insurance premiums paid by, or on behalf of, CEL-SCI with respect to term life insurance for the benefit of the named executive officer, and the full dollar value of the remainder of the premiums paid by, or on behalf of, CEL-SCI. Amounts in the table represent life insurance premiums.

Long Term Incentive Plans - Awards in Last Fiscal Year

None.

Employee Pension, Profit Sharing or Other Retirement Plans

During 1993 CEL-SCI implemented a defined contribution retirement plan, qualifying under Section 401(k) of the Internal Revenue Code and covering substantially all the Company's employees. Prior to January 1, 1998 CEL-SCI's contribution was equal to the lesser of 3% of each employee's salary, or 50% of the employee's contribution. Effective January 1, 1998 the plan was amended such

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that the Company's contribution is now made in shares of CEL-SCI's common stock as opposed to cash. Each participant's contribution is matched by CEL-SCI with shares of common stock which have a value equal to 100% of the participant's contribution, not to exceed the lesser of \$1,000 or 6% of the participant's total compensation. CEL-SCI's contribution of common stock is valued each quarter based upon the closing price of the Company's common stock. The fiscal 2002 expenses for this plan were \$71,824. Other than the 401(k) Plan, CEL-SCI does not have a defined benefit, pension plan, profit sharing or other retirement plan.

Compensation of Directors

Standard Arrangements. CEL-SCI currently pays its directors \$2,000 per quarter, plus expenses. CEL-SCI has no standard arrangement pursuant to which directors of CEL-SCI are compensated for any services provided as a director or for committee participation or special assignments.

Other Arrangements. CEL-SCI has from time to time granted options to its outside directors. See Stock Options below for additional information concerning options granted to CEL-SCI's directors.

Employment Contracts.

In March 2002 the Company entered into a three-year employment agreement with Mr. de Clara which expires March 31, 2005. The employment agreement provides that CEL-SCI will pay Mr. de Clara an annual salary of \$363,000 during the term of the agreement. In the event that there is a material reduction in Mr. de Clara's authority, duties or activities, or in the event there is a change in the control of the Company, then the agreement allows Mr. de Clara to resign from his position at the Company and receive a lump-sum payment from CEL-SCI equal to 18 months salary. For purposes of the employment agreement, a change in the control of CEL-SCI means the sale of more than 50% of the outstanding shares of CEL-SCI's Common Stock, or a change in a majority of CEL-SCI's directors.

Effective September 1, 2003, CEL-SCI entered into a three-year employment agreement with Mr. Kersten. The employment agreement provides that during the term of the employment agreement CEL-SCI will pay Mr. Kersten an annual salary of \$370,585. In the event there is a change in the control of CEL-SCI, the agreement allows Mr. Kersten to resign from his position at CEL-SCI and receive

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a lump-sum payment from CEL-SCI equal to 24 months salary. For purposes of the employment agreement a change in the control of CEL-SCI means: (1) the merger of CEL-SCI with another entity if after such merger the shareholders of CEL-SCI do not own at least 50% of voting capital stock of the surviving corporation; (2) the sale of substantially all of the assets of CEL-SCI; (3) the acquisition by any person of more than 50% of CEL-SCI's common stock; or (4) a change in a majority of CEL-SCI's directors which has not been approved by the incumbent directors.

Compensation Committee Interlocks and Insider Participation

CEL-SCI has a compensation committee comprised of all of CEL-SCI's directors, with the exception of Mr. Kersten. During the year ended September 30, 2002, Mr. de Clara was the only officer participating in deliberations of CEL-SCI's compensation committee concerning executive officer compensation.

During the year ended September 30, 2002, no director of CEL-SCI was also

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an executive officer of another entity, which had an executive officer of CEL-SCI serving as a director of such entity or as a member of the compensation committee of such entity.

Stock Options

The following tables set forth information concerning the options granted during the fiscal year ended September 30, 2002, to the persons named below, and the fiscal year-end value of all unexercised options (regardless of when granted) held by these persons.

Options Granted During Fiscal Year Ended September 30, 2002

Name	Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
					5%	10%
Maximilian de Clara	75,000	8.73%	0.54	3/14/12	\$25,500	\$64,500
Geert R. Kersten	75,000	8.73%	0.54	3/14/12	\$25,500	\$64,500
	30,000 (2)	3.49%	0.54	3/14/12	\$10,200	\$28,500
	----- 105,000					
Patricia B. Prichep	30,000	3.49%	1.00	12/3/11	\$18,900	\$47,700
	10,500 (2)	1.22%	0.54	3/14/12	\$ 3,750	\$ 9,030
	50,000	5.82%	0.33	4/26/12	\$10,500	\$26,000
	----- 90,500					
Eyal Talor, Ph.D.	35,000	4.07%	1.00	12/3/11	\$22,050	\$55,650
	50,000	5.82%	0.33	4/26/12	\$10,500	\$26,000
	----- 85,000					

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Name	Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
					5%	10%
Daniel Zimmerman, Ph.D.	30,000	3.49%	0.54	3/14/12	\$10,200	\$25,800
	11,000 (2)	1.28%	0.54	3/14/12	\$ 3,740	\$ 9,460

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50,000	5.82%	0.33	4/26/12	\$10,500	\$26,000

91,000					

- (1) The potential realizable value of the options shown in the table assuming the market price of CEL-SCI's Common Stock appreciates in value from the date of the grant to the end of the option term at 5% or 10%.
- (2) Options were granted in accordance with CEL-SCI's Salary Adjustment Plan. Pursuant to the Salary Adjustment Plan, any employee of CEL-SCI was allowed to receive options (exercisable at market price at the time of grant) in exchange for a one-time reduction in such employee's salary.

Option Exercises and Year-End Option Values

Value (in \$) of