CEL SCI CORP
Form 10-Q/A
December 11, 2017

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

FORM 10-Q/A
(Amendment No.1)
(Mark One)
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017
OR

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

For the transition period from _____ to _____.

Commission File Number 001-11889

CEL-SCI CORPORATION

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

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

(703) 506-9460
Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) had been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Class of Stock	No Shares Outstanding	Date
Common	9,193,093	May 8, 2017

EXPLANATORY NOTE

In October 2008, the Company entered into an agreement whereby the Company leased a building owned by a third party. The Company accounted for the arrangement as an operating lease under ASC 840, Accounting for Leases.

In November 2017, the Company determined that the lease should have been treated as a financing obligation rather than an operating lease.

Accordingly, this amended 10-Q is filed to correct the manner in which the Company accounted for the lease. See Note I. Restatement to the accompanying financial statements, for further information.

In addition, per share data, including earnings per share amounts, in this amended 10-Q have been adjusted to reflect a 1 for 25 reverse stock split which became effective on the NYSE American on June 15, 2017.

As a result of the error described above, management has concluded that the Company's internal control over financial reporting and its disclosure controls and procedures were not effective as of the end of this reporting period. The effects of the material weaknesses are discussed in more detail in Item 4, Controls and Procedures.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.		Page
	Condensed Balance Sheets at March 31, 2017 and September 30, 2016 (unaudited)	3
	Condensed Statements of Operations for the six months Ended March 31, 2017 and 2016 (unaudited)	4
	Condensed Statements of Operations for the three months Ended March 31, 2017 and 2016 (unaudited)	5
	Condensed Statements of Cash Flows for the six months Ended March 31, 2017 and 2016 (unaudited)	6
	Notes to Condensed Financial Statements (unaudited)	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3.	Quantitative and Qualitative Disclosures about Market Risks	33
Item 4.	Controls and Procedures	33
PART II		
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 6.	Exhibits	34
	Signatures	35

CEL-SCI CORPORATION
BALANCE SHEETS

ASSETS	RESTATED MARCH 31, 2017 (UNAUDITED)	RESTATED SEPTEMBER 30, 2016
CURRENT ASSETS:		
Cash and cash equivalents	$1,529,802	$2,917,996
Receivables	4,252	394,515
Prepaid expenses	720,466	981,677
Deposits - current portion	150,000	154,995
Inventory used for R&D and manufacturing	678,664	1,008,642
Total current assets	3,083,184	5,457,825
PROPERTY AND EQUIPMENT, net	17,087,085	17,350,836
PATENT COST, net	239,214	256,547
DEPOSITS	1,670,917	1,820,917
TOTAL ASSETS	$ 22,080,400	$ 24,886,125
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$7,074,898	$3,091,512
Accrued expenses	509,841	378,672
Due to employees	607,289	538,278
Derivative instruments, current portion	208,493	-
Other current liabilities	7,792	3,310
Total current liabilities	8,408,313	4,011,772
Derivative instruments, net of current portion	3,228,252	8,394,934
Lease liability	13,110,357	13,011,023
Deferred revenue	125,000	125,000
Other liabilities	40,478	22,609
Total liabilities	24,912,400	25,565,338
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock, $.01 par value-200,000 shares authorized;		
-0- shares issued and outstanding	-	-
Common stock, $.01 par value - 600,000,000 shares authorized;		
8,655,685and 6,235,035 shares issued and outstanding		

at March 31, 2017 and September 30, 2016, respectively	86,557	62,350
Additional paid-in capital	287,377,903	284,649,559
Accumulated deficit	(290,296,460)	(285,391,122)
Total stockholders' deficit	(2,832,000)	(679,213)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 22,080,400	$ 24,886,125

See notes to financial statements.

CEL-SCI CORPORATION
STATEMENTS OF OPERATIONS
SIX MONTHS ENDED MARCH 31, 2017 and 2016
(UNAUDITED)

	RESTATED 2017	RESTATED 2016
GRANT INCOME AND OTHER	$34,433	$53,751
OPERATING EXPENSES:		
Research and development	10,126,875	8,844,891
General & administrative	2,752,123	2,312,397
Total operating expenses	12,878,998	11,157,288
OPERATING LOSS	(12,844,565)	(11,103,537)
GAIN ON DERIVATIVE INSTRUMENTS	8,879,612	5,529,230
INTEREST EXPENSE, NET	(940,385)	(948,489)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (4,905,338)	$ (6,522,796)
NET LOSS PER COMMON SHARE		
BASIC	$ (0.74)	$ (1.43)
DILUTED	$ (0.78)	$ (1.43)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
BASIC	6,649,814	4,562,831
DILUTED	6,682,592	4,562,831

See notes to financial statements.

CEL-SCI CORPORATION
STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2017 and 2016
(UNAUDITED)

	RESTATED 2017	RESTATED 2016
OTHER INCOME	$17,175	$32,775
OPERATING EXPENSES:		
Research and development	6,578,618	4,151,983
General & administrative	1,345,114	1,677,796
Total operating expenses	7,923,732	5,829,779
OPERATING LOSS	(7,906,557)	(5,797,004)
LOSS ON DERIVATIVE INSTRUMENTS	(48,700)	(2,593,730)
INTEREST EXPENSE, NET	(471,234)	(464,796)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (8,426,491)	$ (8,855,530)
NET LOSS PER COMMON SHARE BASIC AND DILUTED	$ (1.15)	$ (1.87)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED	7,319,761	4,736,809

See notes to financial statements.

CEL-SCI CORPORATION
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 2017 and 2016
(UNAUDITED)

	RESTATED 2017	RESTATED 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,905,338)	$ (6,522,796)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	318,357	337,656
Share-based payments for services	112,778	472,061
Equity based compensation	677,755	845,100
Common stock contributed to 401(k) plan	76,426	82,146
Loss on retired equipment	1,187	115
Gain on derivative instruments	(8,879,612)	(5,529,230)
Capitalized lease interest	99,334	112,217
(Increase)/decrease in assets:		
Receivables	84,922	62,080
Prepaid expenses	219,543	211,360
Inventory used for R&D and manufacturing	329,978	106,531
Deposits	154,995	150,000
Increase/(decrease) in liabilities:		
Accounts payable	4,214,678	(1,659,395)
Accrued expenses	131,169	559,944
Deferred revenue	-	(138)
Due to employees	140,511	(34,582)
Deferred rent liability	(1,748)	4,176
Net cash used in operating activities	(7,225,065)	(10,802,755)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(10,525)	(21,644)
Net cash used in investing activities	(10,525)	(21,644)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock and warrants	5,849,444	12,258,287
Payments on related party loan	-	(1,104,057)
Payments on obligations under capital lease	(2,048)	(4,423)
Net cash provided by financing activities	5,847,396	11,149,807
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,388,194)	325,408
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,917,996	5,726,682
CASH AND CASH EQUIVALENTS, END OF PERIOD	$1,529,802	$6,052,090

See notes to financial statements.

CEL-SCI CORPORATION
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 2017 and 2016

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

	RESTATED 2017	RESTATED 2016
Decrease in receivable due under the litigation funding arrangement offset by the same amount payable to the legal firm providing the services	$305,341	$298,693
Capitalizable patent costs included in accounts payable	8,644	6,813
Capital lease obligation included in accounts payable	1,500	750
Property and equip acquired through capital lease	26,104	-
Fair value of warrants issued in connection with public offering	3,921,423	5,060,771
Financing costs included in accounts payable	118,866	1,910
Prepaid consulting services paid with issuance of common stock	(41,668)	54,693
Cash paid for interest expense	$ 940,471	$968,002

See notes to condensed financial statements.

7

CEL-SCI CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2017 AND 2016 (UNAUDITED)

A.
BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed financial statements of CEL-SCI Corporation (the Company) are unaudited and certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission. While management of the Company believes that the disclosures presented are adequate to make the information presented not misleading, these interim condensed financial statements should be read in conjunction with the financial statements and notes included in the Company's annual report on Form 10-K for the year ended September 30, 2016.

In the opinion of management, the accompanying unaudited condensed financial statements contain all accruals and adjustments (each of which is of a normal recurring nature) necessary for a fair presentation of the Company's financial position as of March 31, 2017 and the results of its operations for the six months then ended. The condensed balance sheet as of September 30, 2016 is derived from the September 30, 2016 audited financial statements. Significant accounting policies have been consistently applied in the interim financial statements and the annual financial statements. The results of operations for the three and six months ended March 31, 2017 and 2016 are not necessarily indicative of the results to be expected for the entire year.

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

Summary of Significant Accounting Policies:

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

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

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

Income Taxes - The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be recognized. A full valuation allowance was recorded against the deferred tax assets as of March 31, 2017 and September 30, 2016.

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

Deferred Rent– Certain of the Company’s operating leases provide for minimum annual payments that adjust over the life of the lease. The aggregate minimum annual payments are expensed on a straight-line basis over the minimum lease term. The Company recognizes a deferred rent liability for rent escalations when the amount of straight-line rent exceeds the lease payments, and reduces the deferred rent liability when the lease payments exceed the straight-line rent expense. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability and amortizes the deferred rent over the lease term as a reduction to rent expense.

Leases – Leases are categorized as either operating or capital leases at inception. Operating lease costs are recognized on a straight-line basis over the term of the lease. An asset and a corresponding liability for the capital lease obligation are established for the cost of capital leases. The capital lease obligation is amortized over the life of the lease. For build-to-suit leases, the Company establishes an asset and liability for the estimated construction costs incurred to the extent that it is involved in the construction of structural improvements or takes construction risk prior to the commencement of the lease. Uponoccupancy of facilities under build-to-suit leases, the Company assesses whether these arrangements qualify for sales recognition under the sale-leaseback accounting guidance. If a lease does not meet the criteria to qualify for a sale-leaseback transaction, the established asset and liability remain on the Company's balance sheet.

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

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

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

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

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

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases, which will require most leases (with the exception of leases with terms of less than one year) to be recognized on the balance sheet as an asset and a lease liability. Leases will be classified as an operating lease or a financing lease. Operating leases are expensed using the straight-line method whereas financing leases will be treated similarly to a capital lease under the current standard. The new standard will be effective for annual and interim periods, within those fiscal years, beginning after December 15, 2018, but early adoption is permitted. The new standard must be presented using the modified retrospective method beginning with the earliest comparative period presented. The Company is currently evaluating the effect of the new standard on its financial statements and related disclosures.

No other recently issued guidance is expected to have a material impact on the Company's financial statements.

B.
OPERATIONS AND FINANCING

The Company has incurred significant costs since its inception in connection with the acquisition of certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system, patent applications, research and development, administrative costs, construction of laboratory facilities, and clinical trials. The Company has funded such costs with proceeds from loans and the public and private sale of its common stock. The Company will be required to raise additional capital or find additional long-term financing in order to continue with its research efforts. Currently, the partial clinical hold has had a significant impact on the Company's market capital, and as such, may impact the Company's ability to attract new capital. To date, the Company has not generated any revenue from product sales. The ability of the Company to complete the necessary clinical trials and obtain US Food & Drug Administration (FDA) approval for the sale of products to be developed on a commercial basis is uncertain. Ultimately, the Company must complete the development of its products, obtain the appropriate regulatory approvals and obtain sufficient revenues to support its cost structure.

The Company is currently running a large multi-national Phase 3 clinical trial for head and neck cancer with its partners TEVA Pharmaceuticals and Orient Europharma. During the six months ended March 31, 2017, the Company raised approximately $5.8 million net proceeds from multiple financings. To finance the study beyond the next twelve months, the Company plans to raise additional capital in the form of corporate partnerships, debt and/or equity financings. The Company believes that it will be able to obtain additional financing because it has done so consistently in the past and because Multikine is a product in the Phase 3 clinical trial stage. However, there can be no assurance that the Company will be successful in raising additional funds on a timely basis or that the funds will be available to the Company on acceptable terms or at all. If the Company does not raise the necessary amounts of money, it will either have to slow or delay the Phase 3 clinical trial or even significantly curtail its operations until such time as it is able to raise the required funding. The Phase 3 study is currently on partial clinical hold by the FDA. The financial statements have been prepared assuming that the Company will continue as a going concern, but due to recurring losses from operations and future liquidity needs, there is substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Since the Company launched its Phase 3 clinical trial for Multikine, the Company has spent approximately $36.6 million as of March 31, 2017 on direct costs for the Phase 3 clinical trial. The total remaining cash cost of the clinical trial is estimated to be approximately $12.9 million. It should be noted that this estimate is based only on the information currently available in the Company's contracts with the Clinical Research Organizations responsible for managing the Phase 3 clinical trial and does not include other related costs, e.g. the manufacturing of the drug. This number can be affected by the speed of enrollment, foreign currency exchange rates and many other factors, some of which cannot be foreseen. In the summer of 2016, the Company filed an amendment to the original Phase 3 protocol for it head and neck cancer study with the FDA to allow for this expansion in patient enrollment.

In April 2017 CEL-SCI announced that in light of new information the Company decided to withdraw the study protocol amendment for additional patients that was submitted to the FDA in the summer of 2016. It is now possible that we may not need to add more patients to the study or that only a smaller number of patients need to be added to the study to complete it in a reasonable period of time. Should additional patients be needed, we will submit a future study amendment to the FDA to seek their clearance to proceed.

We are diligently continuing to work with the FDA to have the partial clinical hold lifted. We have been in a continuing dialogue with them to try to resolve their questions and to supply them with supplemental information. On February 8, 2017 we had a Type A meeting with the FDA. The Action Items for CEL-SCI to pursue per the minutes from the FDA meeting were the following:

1)
Provide an updated Investigator's Brochure and current procedures for compliance with requirements under 21 CFR 312 Subpart D to address the partial clinical hold.
2)
Provide a list of major protocol deviations, which CEL-SCI believes will affect study results, and provide a plan to identify major protocol deviations across all patients enrolled in the Phase 3 protocol.

We have supplied our response to those Action Items to the FDA. In accordance with the partial clinical hold, we are continuing to follow the 928 patients enrolled in the study, and this includes following patients until the targeted 298 deaths between the 2 comparison groups is observed. This number of deaths is required to evaluate if the study's primary endpoint is achieved.

If the partial clinical hold is not lifted, the Phase 3 study will not be able to be completed to its prespecified endpoints in a timely manner, if at all, and, if the Phase 3 study cannot be completed to its prespecified endpoints, the study would not be able to be used as the pivotal study supporting a marketing application in the United States, and at least one entirely new Phase 3 pivotal study would need to be conducted to provide the pivotal study supporting a marketing application in the United States. Even if the partial clinical hold is lifted, if it is not lifted in a timely fashion, the nature and duration of the partial clinical hold could irreparably harm the data from the Phase 3 study such that it may no longer be able to be used as the pivotal study supporting a marketing application in the United States. Even if the partial clinical hold is lifted in a timely fashion, it remains possible that the regulatory authorities could determine that the Phase 3 study is not sufficient to be used as a single pivotal study supporting a marketing application in the United States.

C.
STOCKHOLDERS' EQUITY

Stock options, stock bonuses and compensation granted by the Company as of March 31, 2017 are as follows:

Name of Plan	Total Shares Reserved Under Plans	Shares Reserved for Outstanding Options	Shares Issued	Remaining Options/Shares Under Plans
Incentive Stock Options Plans	138,400	65,959	N/A	60,453
Non-Qualified Stock Option Plans	387,200	261,270	N/A	96,825
Stock Bonus Plans	223,760	N/A	177,939	45,788
Stock Compensation Plan	134,000	N/A	87,590	45,088
Incentive Stock Bonus Plan	640,000	N/A	624,000	16,000

Stock options, stock bonuses and compensation granted by the Company as of September 30, 2016 are as follows:

Name of Plan	Total Shares Reserved Under Plans	Shares Reserved for Outstanding Options	Shares Issued	Remaining Options/Shares Under Plans
Incentive Stock Option Plans	138,400	65,959	N/A	60,453
Non-Qualified Stock Option Plans	387,200	277,613	N/A	82,370
Bonus Plans	223,760	N/A	126,448	97,278
Stock Compensation Plan	134,000	N/A	79,401	53,276
Incentive Stock Bonus Plan	640,000	N/A	624,000	16,000

Stock option activity:

	Six Months Ended March 31,	
	2017	2016
Granted	-	8,400
Expired	15,281	-
Forfeited	1,061	2,040

	Three Months Ended March 31,	
	2017	2016
Granted	-	2,400
Expired	200	-
Forfeited	1,061	1,121

No shares of restricted stock were forfeited from the Incentive Stock Bonus Plan during the six and three months ended March 31, 2017 and 2016.

Stock-Based Compensation Expense

	Six Months Ended March 31,	
	2017	2016
Employees	$677,755	$845,100
Non-employees	$112,778	$472,061

	Three Months Ended March 31,	
	2017	2016
Employees	$365,380	$417,190
Non-employees	$34,225	$142,866

Employee compensation expense includes the expense related to options issued or vested and restricted stock. Non-employee expense includes the expense related to options and stock issued to consultants expensed over the period of their service contracts.

Warrants and Non-employee Options

The following chart presents the outstanding warrants and non-employee options, listed by expiration date at March 31, 2017:

Warrant	Issue Date	Shares Issuable upon Exercise of Warrant	Exercise Price	Expiration Date	Refer-ence
Series DD	12/8/16	1,360,960	$ 4.50	6/8/17	1
Series N	8/18/08	113,785	$ 13.18	8/18/17	
Series EE	12/8/16	1,360,960	$ 4.50	9/8/17	1
Series U	4/17/14	17,821	$ 43.75	10/17/17	1
Series S	10/11/13-10/24/14	1,037,120	$ 31.25	10/11/18	1
Series V	5/28/15	810,127	$ 19.75	5/28/20	1
Series W	10/28/15	688,930	$ 16.75	10/28/20	1
Series X	1/13/16	120,000	$ 9.25	1/13/21	
Series Y	2/15/16	26,000	$ 12.00	2/15/21	
Series ZZ	5/23/16	20,000	$ 13.75	5/18/21	1
Series BB	8/26/16	16,000	$ 13.75	8/22/21	1
Series Z	5/23/16	264,000	$ 13.75	11/23/21	1
Series FF	12/8/16	68,048	$ 3.91	12/1/21	1
Series CC	12/8/16	680,480	$ 5.00	12/8/21	1
Series HH	2/23/17	20,000	$ 3.13	2/16/22	1
Series AA	8/26/16	200,000	$ 13.75	2/22/22	1
Series JJ	3/14/17	30,000	$ 3.13	3/8/22	1
Series GG	2/23/17	400,000	$ 3.00	8/23/22	1
Series II	3/14/17	600,000	$ 3.00	9/14/22	1
Consultants	12/28/12- 7/1/16	22,800	$ 9.25- $70.00	4/24/17-6/30/19	2

14

1.
Derivative Liabilities

The table below presents the warrant liabilities and their respective balances at the balance sheet dates:

	March 31, 2017	September 30, 2016
Series S warrants	$531,525	$3,111,361
Series U warrants	-	-
Series V warrants	202,532	1,620,253
Series W warrants	190,443	1,799,858
Series Z warrants	142,341	970,604
Series ZZ warrants	9,414	70,609
Series AA warrants	116,996	763,661
Series BB warrants	8,250	58,588
Series CC warrants	630,554	-
Series DD warrants	29,324	-
Series EE warrants	179,169	-
Series FF warrants	73,816	-
Series GG warrants	506,426	-
Series HH warrants	24,290	-
Series II warrants	755,040	-
Series JJ warrants	36,625	-
Total warrant liabilities	$3,436,745	$8,394,934

The table below presents the gains on the warrant liabilities for the six months ended March 31:

	2017	2016
Series S warrants	$2,579,836	$3,147,660
Series U warrants	-	26,731
Series V warrants	1,417,721	1,822,785
Series W warrants	1,609,415	532,054
Series Z warrants	828,263	-
Series ZZ warrants	61,195	-
Series AA warrants	646,665	-
Series BB warrants	50,338	-
Series CC warrants	429,869	-
Series DD warrants	413,948	-
Series EE warrants	512,238	-
Series FF warrants	47,166	-
Series GG warrants	108,211	-
Series HH warrants	5,340	-
Series II warrants	161,419	-
Series JJ warrants	7,988	-
Net gain on warrant liabilities	$8,879,612	$5,529,230

15

The table below presents the gains and (losses) on the warrant liabilities for the three months ended March 31:

	2017	2016
Series S warrants	$(41,485)	$321,507
Series U warrants	-	(4,455)
Series V warrants	-	(1,417,721)
Series W warrants	(58,189)	(1,493,061)
Series Z warrants	(40,524)	-
Series ZZ warrants	(2,689)	-
Series AA warrants	(32,904)	-
Series BB warrants	(2,334)	-
Series CC warrants	(174,623)	-
Series DD warrants	43,029	-
Series EE warrants	(2,365)	-
Series FF warrants	(19,574)	-
Series GG warrants	108,211	-
Series HH warrants	5,340	-
Series II warrants	161,419	-
Series JJ warrants	7,988	-
Net loss on warrant liabilities	$(48,700)	$(2,593,730)

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

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

Issuance of additional Warrants

On March 14, 2017, the Company sold 600,000 registered shares of common stock and 600,000 Series II warrants to purchase 600,000 unregistered shares of common stock at combined offering price of $2.50 per share. The Series II warrants have an exercise price of $3.00 per share, are exercisable on September 14, 2017, and expire September 14, 2022. In addition, the Company issued 30,000 Series JJ warrants to purchase 30,000 shares of unregistered common stock to the placement agent. The Series JJ warrants have an exercise price $3.13, are exercisable on September 14, 2017 and expire on March 8, 2022. The net proceeds from this offering were approximately $1.3 million. The fair value of the Series II and JJ warrants of approximately $1.0 million on the date of issuance was recorded as a warrant liability.

On February 23, 2017, the Company sold 400,000 registered shares of common stock and 400,000 Series GG warrants to purchase 400,000 unregistered shares of common stock at a combined price of $2.50 per share. The Series GG warrants have an exercise price of $3.00 per share, are exercisable on August 23, 2017, and expire August 23, 2022. In addition, the Company issued 20,000 Series HH warrants to purchase 20,000 shares of unregistered common stock to

the placement agent. The Series HH warrants have an exercise price $3.13, are exercisable on August 23, 2017 and expire on February 16, 2022. The net proceeds from this offering were approximately $0.8 million. The fair value of the Series GG and HH warrants of approximately $0.6 million on the date of issuance was recorded as a warrant liability.

On December 8, 2016, the Company sold 1,360,960 shares of common stock and warrants to purchase common stock at a price of $3.13 in a public offering. The warrants consist of 680,480 Series CC warrants to purchase 680,480 shares of common stock, 1,360,960 Series DD warrants to purchase 1,360,960 shares of common stock and 1,360,960 Series EE warrants to purchase 1,360,960 shares of common stock. The Series CC warrants are immediately exercisable, expire in five-years from the offering date and have an exercise price of $5.00 per share. The Series DD warrants are immediately exercisable, expire in six-months from the offering date and have an exercise price of $4.50 per share. The Series EE warrants are immediately exercisable, expire in nine-months from the offering date and have an exercise price of $4.50 per share. In addition, the Company issued 68,048 Series FF warrants to purchase 68,048 shares of common stock to the placement agent. The FF warrants are exercisable at any time on or after June 8, 2017 and expire on December 1, 2021 and have an exercise price $3.91. The net proceeds from this offering was approximately $3.7 million. The fair value of the Series CC, DD, EE and FF warrants of approximately $2.3 million on the date of issuance was recorded as a warrant liability.

Expiration of Warrants

On March 16, 2017, 23,600 Series P warrants, with an exercise price of $112.50, expired. The fair value of the Series P warrants was $0 on the date of expiration.

On December 6, 2016, 105,000 Series R warrants, with an exercise price of $100.00, expired. The fair value of the Series R warrants was $0 on the date of expiration.

On December 22, 2015, 48,000 Series Q warrants, with an exercise price of $125.00, expired. The fair value of the Series Q warrants was $0 on the date of expiration.

2.
Options and shares issued to Consultants

The Company typically enters into consulting arrangements in exchange for common stock or stock options. During the six and three months ended March 31, 2017, the Company issued 18,999 and 4,100 shares of common stock, respectively, of which 10,800 and 0 were restricted shares. The common stock was issued with stock prices ranging between $2.25 and $7.25 per share. During the six and three months ended March 31, 2016, the Company issued 32,151 and 14,451 shares of common stock, of which 23,200 and 9,600 were restricted shares. The common stock was issued with stock prices ranging between $9.25 and $17.75 per share. Additionally, during the six and three months ended March 31, 2016, the Company issued a consultant 8,400 and 2,400 options, respectively, to purchase common stock at prices between $9.25 and $15.00 per share with fair values ranging between $4.75 and $7.50 per share. These options are fully vested. The aggregate values of the issuances of restricted common stock and common stock options are recorded as prepaid expenses and are charged to general and administrative expenses over the periods of service.

During the six and three months ended March 31, 2017, the Company recorded total expense of approximately $113,000 and $34,000, respectively, relating to these consulting agreements. During the six and three months ended March 31, 2016, the Company recorded total expense of approximately $472,000 and $143,000, respectively, relating to these consulting agreements. At March 31, 2017 and September 30, 2016, approximately $7,000 and $48,000, respectively, are included in prepaid expenses. As of March 31, 2017, 22,800 options were outstanding, which were issued to consultants as payment for services. Of these 22,800 outstanding options, 18,800 were vested, all of which were issued from the Non-Qualified Stock Option plans.

D.
FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 – Unobservable inputs that reflect management’s assumptions

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

The table below sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the condensed balance sheet at March 31, 2017:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative instruments	$531,525	$-	$2,905,220	$3,436,745

The table below sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the condensed balance sheet at September 30, 2016:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative instruments	$3,111,361	$-	$5,283,573	$8,394,934

The following sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3) for the six months ended March 31, 2017 and the year ended September 30, 2016:

	(Six Months Ended) March 31, 2017	(Year Ended) September 30, 2016
Beginning balance	$5,283,573	$6,323,032
Issuances	3,921,423	8,722,073
Realized and unrealized gains	(6,299,776)	(9,761,532)
Ending balance	$2,905,220	$5,283,573

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

E.
RELATED PARTY TRANSACTIONS

Effective August 31, 2016, Maximilian de Clara, the Company's then President and a director, resigned for health reasons. In payment for past services, the Company agreed to issue Mr. de Clara 26,000 shares of restricted stock; 13,000 shares upon his resignation and 13,000 on August 31, 2017. At March 31, 2017 and September 30, 2016, the fair value accrued for unissued shares was approximately $29,000 and $101,000, respectively.

On January 13, 2016, the de Clara Trust demanded payment on a note payable, of which the balance, including accrued and unpaid interest, was approximately $1.1 million. The de Clara Trust was established by Maximilian de Clara, the Company's former President and a director. The Company's Chief Executive Officer, Geert Kersten, is a beneficiary of the de Clara Trust. When the de Clara Trust demanded payment on the note, the Company sold 120,000 shares of its common stock and 120,000 Series X warrants to the de Clara Trust for approximately $1.1 million. Each warrant allows the de Clara Trust to purchase one share of the Company's common stock at a price of $9.25 per share at any time on or before January 13, 2021.

No interest payments were made to Mr. de Clara during the six and three months ended March 31, 2017. During the six and three months ended March 31, 2016, the Company paid approximately $43,000 and $10,000, respectively, in interest expense to Mr. de Clara.

F.
COMMITMENTS AND CONTINGENCIES

Clinical Research Agreements

In March 2013, the Company entered into an agreement with Aptiv Solutions, Inc. (which was subsequently acquired by ICON Inc.) to provide certain clinical research services in accordance with a master service agreement. The Company will reimburse ICON for costs incurred. The agreement required the Company to make $600,000 in advance payments which are being credited against future invoices in $150,000 annual increments through December 2017. As of March 31, 2017, the total balance advanced is $150,000, which is classified as a current asset.

In April 2013, the Company entered into a co-development and revenue sharing agreement with Ergomed. Under the agreement, Ergomed will contribute up to $10 million towards the study in the form of offering discounted clinical services in exchange for a single digit percentage of milestone and royalty payments, up to a specific maximum amount. In October 2015, the Company entered into a second co-development and revenue sharing agreement with Ergomed for an additional $2 million, for a total of $12 million. The Company accounted for the co-development and revenue sharing agreement in accordance with ASC 808 "Collaborative Arrangements". The Company determined the payments to Ergomed are within the scope of ASC 730 "Research and Development." Therefore, the Company records the discount on the clinical services as a credit to research and development expense on its Statements of Operations. Since the Company entered into the co-development and revenue sharing agreement with Ergomed, it has incurred research and development expenses of approximately $23.2 million related to Ergomed's services. This amount is net of Ergomed's co-development contribution of approximately $7.7 million. During the six and three months ended March 31, 2017, the Company recorded, net of Ergomed's co-development contribution, approximately $4.1 million and $2.8 million, respectively, as research and development expense related to Ergomed's services. During the six and three months ended March 31, 2016, the Company recorded, net of Ergomed's co-development contribution, approximately $3.8 million and $1.8 million, respectively, as research and development expense related to Ergomed's services.

In October 2013, the Company entered into two co-development and profit sharing agreements with Ergomed. One agreement supports the Phase 1 study being conducted at the University of California, San Francisco, or UCSF, for the development of Multikine as a potential treatment for peri-anal warts in HIV/HPV co-infected men and women. The Phase 1 study originally started after the Company signed a cooperative research and development agreement with the U.S. Naval Medical Center, San Diego. In August 2016, the U.S. Navy discontinued this Phase 1 study because of difficulties in enrolling patients. The other agreement focuses on the development of Multikine as a potential treatment for cervical dysplasia in HIV/HPV co-infected women. Ergomed will assume up to $3 million in clinical and regulatory costs for each study.

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

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

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

In October 2015 the Company signed an arbitration funding agreement with a company established by Lake Whillans Litigation Finance, LLC, a firm specializing in funding litigation expenses. Pursuant to the agreement, an affiliate of Lake Whillans provides the Company with up to $5 million in funding for litigation expenses to support its arbitration claims against inVentiv. The funding is available to the Company to fund the expenses of the ongoing arbitration and will only be repaid if the Company receives proceeds from the arbitration. During the three months ended December 31, 2015, the Company recognized a gain of approximately $1.1 million on the derecognition of legal fees to record the transfer of the liability that existed prior to the execution of the financing agreement from the Company to Lake Whillans. The gain on derecognition of legal fees is recorded as a reduction of general and administration expenses on the Statement of Operations. All related legal fees are directly billed to and paid by Lake Whillans. As part of the agreement with Lake Whillans, the law firm agreed to cap its fees and expenses for the arbitration at $5 million.

The arbitration has been going on longer than expected, but it is finally nearing its end. The hearing (the “trial”) started on September 26, 2016 and was originally scheduled to end in November/December of 2016. Instead it is still ongoing, but we expect it to end during the second quarter of 2017.

Lease Agreements

The Company leases a manufacturing facility near Baltimore, Maryland (the San Tomas lease). The building was remodeled in accordance with the Company’s specifications so that it can be used by the Company to manufacture Multikine for the Company’s Phase 3 clinical trial and sales of the drug if approved by the FDA. The lease is for a term of twenty years and requires annual base rent to escalate each year at 3%. The Company is required to pay all real estate and personal property taxes, insurance premiums, maintenance expenses, repair costs and utilities. The lease allows the Company, at its election, to extend the lease for two ten-year periods or to purchase the building at the end of the 20-year lease. The Company contributed approximately $9.3 million towards the tenant-directed improvements, of which $3.2 million is being refunded during years six through twenty through reduced rental payments. The landlord paid approximately $11.9 million towards the purchase of the building, land and the tenant-directed improvements. The Company placed the building in service in October 2008.

The leased building is being depreciated using a straight line method over the 20 year lease term to a residual value. The landlord liability is being amortized over the 20 years using the effective interest method.

Lease payments allocated to the landlord liability are accounted for as debt service payments on that liability using the finance method of accounting per ASC 840-40-55.

The Company was required to deposit the equivalent of one year of base rent in accordance with the lease. When the Company meets the minimum cash balance required by the lease, the deposit will be returned to the Company. The approximate $1.7 million deposit is included in non-current assets at March 31, 2017 and September 30, 2016.

Future minimum lease payments under the San Tomas lease as of March 31, 2017 are as follows:

Six months ending September 30, 2017	$ 846,000
Year ending September 30,	
2018	1,747,000
2019	1,808,000
2020	1,872,000
2021	1,937,000
2022	2,004,000
Thereafter	13,758,000
Total future minimum lease obligation	23,972,000

Less imputed interest on financing obligation	(10,862,000)
Net present value of lease financing obligation	$ 13,110,000

The Company subleases a portion of its rental space on a month-to-month term lease, which requires a 30 day notice for termination. The Company receives approximately $6,000 per month in rent for the sub-leased space.

The Company leases its research and development laboratory under a 60 month lease which expires February 28, 2022. The operating lease includes escalating rental payments. The Company is recognizing the related rent expense on a straight line basis over the full 60 month term of the lease at the rate of approximately $13,000 per month. As of March 31, 2017 and September 30, 2016, the Company has recorded a deferred rent liability of approximately $1,000 and $2,000, respectively.

The Company leases its office headquarters under a 60 month lease which expires June 30, 2020. The operating lease includes escalating rental payments. The Company is recognizing the related rent expense on a straight line basis over the full 60 month term of the lease at the rate approximately $8,000 per month. As of March 31, 2017 and September 30, 2016, the Company has recorded a deferred rent liability of approximately $18,000.

As of March 31, 2017, material contractual obligations, excluding the San Tomas lease, consisting of operating lease payments are as follows:

Six months ending September 30, 2017	$ 123,000
Year ending September 30,	
2018	251,000
2019	258,000
2020	238,000
2021	163,000
2022	69,000
Total	$ 1,102,000

The Company leases office equipment under a capital lease arrangement. The term of the capital lease is 60 months and expires on October 31, 2021. The monthly lease payment is $505. The lease bears interest at approximately 6.25% per annum. The Company's previous equipment lease expired on September 30, 2016.

G.
PATENTS

During the six and three months ended March 31, 2017 and 2016, no patent impairment charges were recorded. For the six and three months ended March 31, 2017, amortization of patent costs totaled approximately $19,000 and $10,000, respectively. For the six and three months ended March 31, 2016, amortization of patent costs totaled approximately $18,000 and $9,000, respectively. The total estimated future amortization expense is approximately as follows:

Six months ending September 30, 2017	$18,308
Year ending September 30,	
2018	36,487
2019	34,784
2020	31,590
2021	28,290
2022	24,488
Thereafter	65,267
Total	$239,214

H.
LOSS PER COMMON SHARE

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

	Six Months Ended March 31, 2017		
	Net Loss – Restated(1)	Weighted Average Shares	LPS
Basic loss per share	$ (4,905,338)	6,649,814	$ (0.74)

Gain on derivatives(2)	(330,124)	32,778	
Dilutive loss per share	$ (5,235,462)	6,682,592	$ (0.78)

(1) See Note I - Restatement
(2) Includes series FF, GG, HH, II and JJ warrants

23

	Three Months Ended March 31, 2017		
	Net Loss – Restated(1)	Weighted Average Shares	LPS
Basic and dilutive loss per share	$ (8,426,491)	7,319,761	$ (1.15)
(1) See Note I - Restatement			

	Six Months Ended March 31, 2016		
	Net Loss – Restated(1)	Weighted Average Shares	LPS
Basic and dilutive loss per share	$ (6,522,796)	4,562,831	$ (1.43)
(1) See Note I - Restatement			

	Three Months Ended March 31, 2016		
	Net Loss – Restated(1)	Weighted Average Shares	LPS
Basic and dilutive loss per share	$ (8,855,530)	4,736,809	$ (1.87)
(1) See Note I - Restatement			

The gain on derivatives priced lower than the average market price during the period is excluded from the numerator and the related shares are excluded from the denominator in calculating diluted loss per share.

In accordance with the contingently issuable shares guidance of FASB ASC Topic 260, Earnings Per Share, the calculation of diluted net earnings (loss) per share excludes the following securities because their inclusion would have been anti-dilutive as of March 31:

	2017	2016
Options and Warrants	8,037,799	3,148,434
Unvested Restricted Stock	604,000	604,000
Total	8,641,799	3,752,434

I.
RESTATEMENT

In October 2008, the Company entered into a lease arrangement whereby the Company leased a building owned by a third party, but to which the owner made tenant-directed improvements. Upon commencement of the lease, the Company accounted for the arrangement as an operating lease under ASC 840, Accounting for Leases, whereby the total minimum lease payment obligations under the leases were recognized as monthly rent expense on a straight-line basis over the term of the lease. The cost of the tenant improvements incurred were capitalized as deferred rent and amortized over the 20-year lease term.

However, in November 2017, the Company discovered an error in the way it accounted for the lease for the building since it was determined that, as the terms of the original lease required the Company to be responsible for possible cost overruns, (but of which there were none), the Company was deemed to be the owner of the leased building for accounting purposes only under ASC 840-40-55. In addition to the costs it incurred and capitalized for the tenant improvements, the Company should have reflected an asset on its balance sheet for the costs paid by the lessor to purchase and improve the building, as well as a corresponding liability. Upon completion of the improvements, the Company did not meet the “sale-leaseback” criteria under ASC 840-40-25, Accounting for Leases, Sale-Leaseback Transactions due to the Company’s significant continuing involvement with the facility which is considered to be other than a normal leaseback as defined in ASC 840-40-25 and therefore should have treated the lease as a financing

obligation and the asset and corresponding liability should not be derecognized.

The corrections to the historical financial statements to apply ASC 840-40-25 do not affect the total cash payments the Company has made or is obligated to make under the lease agreement, nor does it change the total expense to be recognized over the lease term. However, the timing and nature of expense is different under this treatment as compared to operating lease treatment. Specifically, the Company should have recognized depreciation, expense on the building it is deemed to own and interest expense on the associated lease financing obligation, instead of rental expense.

The accompanying financial statements for six and three months ended March 31, 2017 have been restated to reflect the correction of the error for the lease accounting. Accumulated deficit at September 30, 2016, was reduced by $276,855. The following is a summary of the restatements:

	March 31, 2017		
Balance Sheet	PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Total current assets	$ 3,483,223	$ (400,039)	$ 3,083,184
Other assets	5,242,616	13,754,600	18,997,216
Total assets	8,725,839	13,354,561	22,080,400
Total liabilities	11,802,043	13,110,357	24,912,400
Stockholders' deficit	(3,076,204)	244,204	(2,832,000)

	September 30, 2016		
Balance Sheet	PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Total current assets	$ 5,887,646	$ (429,821)	$ 5,457,825
Other assets	5,710,601	13,717,699	19,428,300
Total assets	11,598,247	13,287,878	24,886,125
Total liabilities	12,554,315	13,011,023	25,565,338
Stockholders' deficit	(956,068)	276,855	(679,213)

	Six Months Ended March 31, 2017			2016		
Statement of Operations	PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED	PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Research and development expenses	$ 11,080,073	$ (953,198)	$ 10,126,875	$ 9,798,089	$ (953,198)	$ 8,844,891
Total operating expenses	13,832,196	(953,198)	12,878,998	12,110,486	(953,198)	11,157,288
Operating loss	(13,797,763)	953,198	(12,844,565)	(12,056,735)	953,198	(11,103,537)
Interest income (expense), net	45,464	(985,849)	(940,385)	24,463	(972,952)	(948,489)
Net loss	(4,872,687)	(32,651)	(4,905,338)	(6,503,042)	(19,754)	(6,522,796)
Net loss per share - basic	$ (0.73)		$ (0.74)	$ (1.43)		$ (1.43)
Net loss per share - diluted	$ (0.78)		$ (0.78)	$ (1.43)		$ (1.43)

	Three Months Ended March 31, 2017			2016		
		ADJUSTMENT	RESTATED		ADJUSTMENT	RESTATED

Statement of Operations	PREVIOUSLY REPORTED			PREVIOUSLY REPORTED		
Research and development expenses	$ 7,055,217	$ (476,599)	$ 6,578,618	$ 4,628,582	$ (476,599)	$ 4,151,983
Total operating expenses	8,400,331	(476,599)	7,923,732	6,306,378	(476,599)	5,829,779
Operating loss	(8,383,156)	476,599	(7,906,557)	(6,273,603)	476,599	(5,797,004)
Interest income (expense), net	22,367	(493,601)	(471,234)	22,478	(487,274)	(464,796)
Net loss	(8,409,489)	(17,002)	(8,426,491)	(8,844,855)	(10,675)	(8,855,530)
Net loss per share - basic and diluted	$ (1.15)		$ (1.15)	$ (1.87)		$ (1.87)

	Accumulated Deficit
PREVIOUSLY REPORTED, SEPTEMBER 30, 2016	$ (285,667,977)
ADJUSTMENT	276,855
RESTATED BALANCE, SEPTEMBER 30, 2016	(285,391,122)
Net loss - RESTATED	(4,905,338)
BALANCE, MARCH 31, 2017	$ (290,296,460)

J.
SUBSEQUENT EVENTS

On April 30, 2017, the Company entered into a securities purchase agreement with an institutional investor whereby it sold 527,960 shares of its common stock for aggregate gross proceeds of approximately $1.51 million, or $2.88 per share, in a registered direct offering. In a concurrent private placement, the Company also issued to the purchaser of the Company's common stock, Series KK warrants to purchase 395,970 shares of common stock. The warrants can be exercised at a price of $3.04 per share, commencing six months after the date of issuance and ending five and a half years after the date of issuance. In addition, the Company agreed to issue 26,398 Series LL warrants to the Placement Agent as part of its compensation. The Series LL warrants are subject to a 180-day lock-up and may be exercised at any time on or after October 30, 2017 and on or before April 30, 2022 at a price of $3.59 per share.

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

Correction of an Error

The historical financial information in this report have been restated. In November 2017, the Company discovered an error in the way it accounted for the operating lease for its manufacturing facility. In October 2008, the Company entered into a lease arrangement whereby the Company leased a building owned by a third party, but to which the owner made tenant-directed improvements. Upon commencement of the lease, the Company accounted for the arrangement as an operating lease under ASC 840, Accounting forLeases, whereby the total minimum lease payment obligations under the leases were recognized as monthly rent expense on a straight-line basis over the term of the lease. The cost of the tenant improvements incurred were capitalized as deferred rent and amortized over the 20-year lease term.

In November 2017, it was determined that because the terms of the original lease agreement required the Company to be responsible for possible cost overruns, if there were any, but of which there were none, the Company was deemed to be the owner of the leased building for accounting purposes only under ASC 840-40-55. In addition to the costs it incurred and capitalized for the tenant improvements, the Company should have reflected an asset on its balance sheet for the costs paid by the lessor to purchase the building and improve it, as well as a corresponding liability. Upon completion of the improvements, the Company did not meet the “sale-leaseback” criteria under ASC 840-40-25, Accounting for Leases, Sale-Leaseback Transactions due to the Company’s significant continuing involvement with the facility which is considered to be other than a normal leaseback as defined in ASC 840-40-25 and therefore should have treated the lease as a financing obligation and the asset and corresponding liability should not be derecognized.

The correction to the historical financial statements to apply ASC 840-40-25 does not affect the total cash payments the Company has made or is obligated to make under the lease agreement, nor does it change the total expense to be recognized over the lease term. However, the timing and nature of expense is different under this treatment as compared to operating lease treatment. Specifically, the Company should have recognized depreciation, expense on the asset it is deemed to own and interest expense on the associated lease financing obligation, instead of rental expense.

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement adjustments made to the previously reported financial statements for the three months ended December 31, 2016 and 2015. For additional information and a detailed discussion of the restatement, see Note I of the financial statements included in this Report.

Liquidity and Capital Resources

The Company’s lead investigational therapy, Multikine® (Leukocyte Interleukin, Injection), is cleared for a Phase 3 clinical trial in advanced primary head and neck cancer. Multikine has been cleared by the regulators in twenty four countries around the world, including the U.S. FDA.

On September 26, 2016, the Company received verbal notice from FDA that the Phase 3 clinical trial in advanced primary head and neck cancer has been placed on clinical hold. At such time, enrollment in the Phase 3 study was 928 patients. In accordance with the partial clinical hold, the Company is continuing to follow the 928 patients enrolled in the study, and this includes following patients until the targeted 298 deaths between the 2 comparison groups is observed. This number of deaths is required to evaluate if the study’s primary endpoint is achieved.

On October 21, 2016, the Company received a partial clinical hold letter from FDA and, on November 18, 2016, the Company submitted a response to FDA's partial clinical hold letter.

In its partial clinical hold letter, FDA identified the following specific deficiencies: a) FDA stated that there is an unreasonable and significant risk of illness or injury to human subjects and cited among other things the absence of prompt reports by the Company to the FDA of IDMC recommendations to close the study entirely (made in spring of 2014) or at least to close it to accrual of new patients (made in spring of 2016); b) FDA stated that the investigator brochure is misleading, erroneous, and materially incomplete; and c) FDA stated that the plan or protocol is deficient in design to meet its stated objectives. In its partial clinical hold letter, FDA also identified the information needed to resolve these deficiencies. In addition, FDA's partial clinical hold letter included two requests relating to quality information regarding the Company's investigational final drug product, which were noted by FDA as non-hold issues. The Company believes that its response submitted to FDA on November 18, 2016, addressed each of the deficiencies identified by FDA including detailing its belief that, under the applicable FDA guidance, there was no obligation to report the cited IDMC recommendations to the FDA at the time they were issued, and it also requested a face-to-face meeting with FDA, and outlined the Company's commitment to diligently work with FDA in an effort to have the partial clinical hold for the study lifted.

On December 8, 2016, FDA advised us that the Agency was denying the Company's request for a meeting at that time because FDA's review of the Company's November 18, 2016 response was ongoing. The Company also was advised that the Company would be receiving a letter addressing its November 18, 2016 response by December 18, 2016.

On December 16, 2016, FDA issued an Incomplete Response To Hold letter to the Company indicating that based on the Agency's preliminary review of the Company's November 18, 2016 submission, FDA has determined that it is not a complete response to all of the issues listed in FDA's clinical hold letter. FDA identified the following specific deficiencies: a) FDA stated that the Company did not provide the information identified as necessary to address FDA's statement that patients enrolled in the study are exposed to unreasonable and significant risk of illness or injury to human subjects; b) FDA stated that the Company did not provide the information identified as necessary to address FDA's statement that continued enrollment of patients in the study exposes the patients to unreasonable risks and FDA furthermore stated that the study is unlikely to demonstrate that the addition of the Company's investigational drug Multikine to the standard of care is superior to standard of care and thus should be terminated for futility; (c) FDA stated that the Company did not provide the information identified as necessary to address FDA's statement that the investigator brochure is misleading, erroneous, and materially incomplete; (d) FDA stated that the Company did not provide the information identified as necessary to address FDA's statement that the proposed revised clinical protocol is inadequate in design to meet its stated objectives and FDA furthermore stated that this deficiency cannot be addressed by further revisions to the protocol. In its incomplete response to hold letter, FDA also identified the steps the Company must take to address these deficiencies. In addition, FDA's incomplete response to hold letter noted with respect to FDA's two requests relating to quality information regarding the Company's investigational final drug product, which the Company had been instructed by FDA to submit separately from the response to the partial clinical hold, which again were noted by FDA as non-hold issues, that the Company's November 18, 2016, submission had not included the information addressing these two requests.

In early January 2017, in preparation for the request for a Type A meeting with FDA and resolution of the partial clinical hold issues, the Company prepared a comprehensive submission to FDA detailing its belief, accompanied by what the Company believes to be appropriate supporting data, records, and information reflecting that the Company has taken the steps necessary to address the specific deficiencies identified by the FDA, including: a) demonstrating that patients enrolled in the study are not exposed to unreasonable and significant risk of illness or injury; b) demonstrating that continued enrollment of patients in the study does not expose the patients to unreasonable risks and that the study should not be terminated for futility; (c) demonstrating that a supplemented investigator brochure is not misleading, erroneous, or materially incomplete; (d) demonstrating that the proposed revised clinical protocol is adequate in design to meet its stated objectives and that this deficiency can be addressed by the proposed revisions to the protocol.

On February 8, 2017, the Company met with the FDA to allow an open and frank discussion of the clinical hold issues raised by the FDA and to secure the FDA’s input and clarification on how to address the partial hold issues. On March 1, 2017 the Company received the written minutes of this meeting from the FDA. The Action Items for the Company to pursue per the minutes from the FDA were the following: 1) provide an updated Investigator’s Brochure and current procedures for compliance with requirements under 21 CFR 312 Subpart D to address the partial clinical hold, and 2) provide a list of major protocol deviations, which the Company believes will affect study results, and provide a plan to identify major protocol deviations across all patients enrolled in the Phase 3 protocol.

In April 2017, the Company supplied the response to those Action Items to the FDA. It is its belief that addressing the Action Items will support a favorable decision by the FDA to lift the partial clinical hold. While the Company thinks that it has understood the Action Items, it is possible that the Company has not understood all issues involved or that the FDA could issue additional comments or could raise additional concerns when reviewing its responses to the Action Items. All of the Company’s work is subject to the FDA's review of the Company’s submission upon its completion and may or may not result in the lifting of the partial clinical hold.

Subject to the partial clinical hold, the Company's estimate that the total remaining cash cost of the Phase 3 clinical trial, excluding any costs that will be paid by our partners, would be approximately $12.9 million. This is in addition to the approximately $36.6 million that the Company already had spent on the trial as of March 31, 2017. This number may be affected by the rate of any future patient enrollment, if needed, rate of death accumulation in the study, foreign currency exchange rates, and many other factors, some of which cannot be foreseen today. It is therefore possible that the cost of the Phase 3 clinical trial will be higher than currently estimated. If FDA will only lift the partial clinical hold with termination of the current study and initiation of a new clinical trial, any such new trial can only be initiated if permitted by FDA and as appropriate other regulatory authorities around the world after the requisite submissions are made to them, and the additional duration and costs of the Phase 3 clinical program would likely exceed those already incurred in connection with the Phase 3 clinical trial. If there is a need to conduct an additional Phase 3 pivotal study, any such requirement would have significant and severe material consequences for us and could impact our ability to continue as a going concern.

Currently the Company is not looking to enroll additional patients. The Company will not be able to enroll any additional patients in the Phase 3 study unless FDA lifts the partial clinical hold. In addition, in the spring of 2016, the IDMC recommended to us that new patient enrollment should stop in the Phase 3 study, but patients already on study should continue to be treated and followed. Although the Company had expected to work through the concerns raised by the IDMC while the Company worked through the partial clinical hold with FDA, the IDMC informed us on December 13, 2016, that because the study is on partial clinical hold imposed by FDA, the IDMC has no formal recommendation regarding continuation of the trial at this time. Another IDMC meeting was held on February 6, 2017. Due to the fact that the study is still on partial clinical hold imposed by the FDA, the IDMC had no formal recommendation regarding continuation of the trial at that time. If the partial clinical hold is not lifted by FDA or if it is determined by FDA that the study has been compromised, the study may be terminated, or if the partial clinical hold is lifted by FDA but the IDMC continues to recommend that enrollment not be allowed to continue, the study may be terminated by the Company.

If the partial clinical hold is not lifted, the Phase 3 study may not be able to be completed to its prespecified endpoints in a timely manner, if at all, and, if the Phase 3 study cannot be completed to its prespecified endpoints, the study would not be able to be used as the pivotal study supporting a marketing application in the United States, and at least one entirely new Phase 3 pivotal study would need to be conducted to provide the pivotal study supporting a marketing application in the United States. Even if the partial clinical hold is lifted, if it is not lifted in a timely fashion, the nature and duration of the partial clinical hold could irreparably harm the data from the Phase 3 study such that it may no longer be able to be used as the pivotal study supporting a marketing application in the United States. Even if the partial clinical hold is lifted in a timely fashion, it remains possible that the regulatory authorities could determine that the Phase 3 study is not sufficient to be used as a single pivotal study supporting a marketing application in the United States.

Multikine is also being used in a Phase I study at UCSF in HIV/HPV co-infected men and women with peri-anal warts.

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

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

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

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

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

The Company will be required to raise additional capital or find additional long-term financing in order to continue with its research efforts. The ability to raise capital may be dependent upon market conditions that are outside the control of the Company. Additionally, the partial clinical hold may also impact the Company's ability to attract new capital. The ability of the Company to complete the necessary clinical trials and obtain FDA approval for the sale of products to be developed on a commercial basis is uncertain. Ultimately, the Company must complete the development of its products, obtain the appropriate regulatory approvals and obtain sufficient revenues to support its cost structure. The Company is taking cost-cutting initiatives, as well as exploring other sources of funding to finance operations over the next 12 months. However there can be no assurance that the Company will be able to raise sufficient capital to support its operations.

In April 2013, the Company announced that it had replaced the CRO running its Phase 3 clinical trial. This was necessary since the patient enrollment in the study dropped off substantially following a takeover of the CRO which caused most of the members of the CRO's study team to leave the CRO. The Company announced that it had hired two CRO's who will manage the global Phase 3 study; ICON and Ergomed, who are both international leaders in managing oncology trials. Both CRO's helped the Company expand the trial to over 80 clinical sites globally. As of March 31, 2017, the study has enrolled 928 patients.

Under a co-development agreement, Ergomed will contribute up to $12 million towards the study where it will perform clinical services in exchange for a single digit percentage of milestone and royalty payments, up to a specified maximum amount, only from sales for head and neck cancer. Ergomed, a privately-held firm headquartered in Europe with global operations, has entered into numerous similar co-development agreements, including one with Genzyme (purchased by Sanofi in 2011 for over $20 billion). Ergomed will be responsible for the new patient enrollment.

During the six months ended March 31, 2017, the Company's cash decreased by approximately $1.4 million. Significant components of this decrease include net proceeds from the sale of the Company's stock of approximately $5.8 million offset by net cash used to fund the Company's regular operations, including its Phase 3 clinical trial, of approximately $7.2 million, purchases of equipment of approximately $10,000 and payments on capital leases of approximately $2,000. During the six months ended March 31, 2016, the Company's cash increased by approximately $325,000. Significant components of this increase include net proceeds from the sale of the Company's stock of approximately $12.2 million offset by net cash used to fund the Company's regular operations, including its Phase 3 clinical trial, of approximately $10.8 million, the approximate $1.1 million repayment of the related party loan, purchases of equipment of approximately $22,000 and payments on capital leases of approximately $4,000.

On March 14, 2017, the Company sold 600,000 registered shares of common stock and 600,000 Series II warrants to purchase 600,000 unregistered shares of common stock at combined offering price of $2.50 per share. The Series II warrants have an exercise price of $3.00 per share, are exercisable on September 14, 2017, and expire September 14, 2022. In addition, the Company issued 30,000 Series JJ warrants to purchase 30,000 shares of unregistered common stock to the placement agent. The Series JJ warrants have an exercise price $3.13, are exercisable on September 14, 2017 and expire on March 8, 2022. The net proceeds from this offering were approximately $1.3 million.

On February 23, 2017, the Company sold 400,000 registered shares of common stock and 400,000 Series GG warrants to purchase 400,000 unregistered shares of common stock at a combined price of $2.50 per share. The Series GG warrants have an exercise price of $3.00 per share, are exercisable on August 23, 2017, and expire August 23, 2022. In addition, the Company issued 20,000 Series HH warrants to purchase 20,000 shares of unregistered common stock to the placement agent. The Series HH warrants have an exercise price $3.13, are exercisable on August 23, 2017 and expire on February 16, 2022. The net proceeds from this offering were approximately $0.8 million.

On December 8, 2016, the Company sold 1,360,960 shares of common stock and warrants to purchase common stock at a price of $3.13 in a public offering. The warrants consist of 680,480 Series CC warrants to purchase 680,480 shares of common stock, 1,360,960 Series DD warrants to purchase 1,360,960 shares of common stock and 1,360,960 Series EE warrants to purchase 1,360,960 shares of common stock. The Series CC warrants are immediately exercisable, expire in five-years and have an exercise price of $5.00 per share. The Series DD warrants are immediately exercisable, expire in six-months and have an exercise price of $4.50 per share. The Series EE warrants are immediately exercisable, expire in nine-months and have an exercise price of $4.50 per share. In addition, the Company issued 68,048 Series FF warrants to purchase 68,048 shares of common stock to the placement agent. The FF warrants are exercisable at any time on or after June 8, 2017 and expire on December 1, 2021 and have an exercise price $3.91. The net proceeds to CEL-SCI from this offering was approximately $3.7 million, excluding any future proceeds that may be received from the exercise of the warrants.

Inventory decreased by approximately $330,000 at March 31, 2017 as compared to September 30, 2016, due to the timing of supplies purchased and used in the manufacturing of Multikine for the Phase 3 clinical trial. In addition, receivables decreased by approximately $390,000, primarily due to the timing of payments reimbursed under the litigation funding arrangement noted above.

Results of Operations and Financial Condition

During the six months ended March 31, 2017, research and development expenses increased by approximately $1.3 million compared to the six months ended March 31, 2016. During the three months ended March 31, 2017, research and development expenses increased by approximately $2.4 million compared to the three months ended March 31, 2016. The Company is continuing the Phase 3 clinical trial subject to the partial clinical hold, and research and development fluctuates based on the activity level of the clinical trial. The level of research and development expenses during the past 6 months was particularly high. Based on the most recent bills and the fact that currently we are not adding more patients to the study, we do not expect future research and development expenses to remain at this level.

During the six months ended March 31, 2017, general and administrative expenses increased by approximately $440,000, compared to the six ended March 31, 2016. This increase is primarily due to an approximate $1.1 million gain on de-recognition of legal fees to record the transfer of the liability from the Company to Lake Whillans that existed prior to the execution of the financing agreement. The gain on de-recognition of legal fees is recorded as a reduction of general and administrative expenses in the six months ended March 31, 2016. The remaining difference is due to an approximate $527,000 decrease in employee and non-employee stock compensation due to the decrease in the market value of the common stock and 13,152 fewer shares issued to non-employees in the six months ended March 31, 2016 and approximately $133,000 in net other reductions of general and administrative expenses.

The gain on derivative instruments of approximately $8.9 million for the six months ended March 31, 2017 and the loss on derivative instruments of approximately $49,000 for the three months ended March 31, 2017 were the result of the change in fair value of the derivative liabilities during the respective periods. These changes were caused by fluctuations in the share price of the Company’s common stock. The gain on derivative instruments of approximately $5.5 million for the six months ended March 31, 2016 and the loss on derivate instruments of approximately $2.6 million for the three months ended March 31, 2016 were the results of the changes in fair value of the derivative liabilities during the respective periods. These changes were caused by fluctuations in the share price of the Company’s common stock.

Net interest expense decreased by approximately $8,000 for the six months ended March 31, 2017 compared to March 31, 2016 and consisted primarily of interest expense relating to the lease liability offset by interest income earned on the Company's cash balances. Net interest expense increased by approximately $6,000 for the three months ended March 31, 2017 compared to March 31, 2016, and consisted primarily of interest expense relating to the lease liability offset by interest income earned on the Company's cash balances

Research and Development Expenses

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

	Six months ended March 31,		Three months ended March 31,	
	2017	2016	2017	2016
MULTIKINE - Restated	$ 9,950,673	$ 8,648,429	$ 6,487,667	$ 4,050,602
LEAPS	176,202	196,462	90,951	101,381
TOTAL - Restated	$ 10,126,875	$ 8,844,891	$ 6,578,618	$ 4,151,983

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

Critical Accounting Estimates and Policies

Management's discussion and analysis of the Company's financial condition and results of operations is based on its unaudited condensed financial statements. The preparation of these financial statements is based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and notes. The Company believes some of the more critical estimates and policies that affect its financial condition and results of operations are in the areas of operating leases and stock-based compensation. For more information regarding the Company's critical accounting estimates and policies, see Part II, Item 7 of the Company's Annual Report on Form 10-K and 10-K/A for the year ended September 30, 2016. The application of these critical accounting policies and estimates has been discussed with the Audit Committee of the Company's Board of Directors.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company does not believe that it has any significant exposures to market risk.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the direction and with the participation of the Company's management, including the Company's Chief Executive and Chief Financial Officer, the Company has conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2017. The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its periodic reports with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching its desired disclosure control objectives. As explained in Note I to the accompanying financial statements which are part of this report, in November 2017, the Company discovered an error in the way it accounted for the lease for its manufacturing facility. Management has concluded that the correction of the error for this lease, the lack of impairment assessment for the related asset, and the operating effectiveness of the financial close process are control deficiencies that constitute material weaknesses. Based on the above, the Company's Chief Executive and Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2017.

Changes in Internal Control over Financial Reporting

The Company's management, with the participation of the Chief Executive and Chief Financial Officer, has evaluated whether any change in the Company's internal control over financial reporting occurred during the first six months of fiscal year 2017. There was no change in the Company's internal control over financial reporting during the six months ended March 31, 2017.

PART II

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

During the three months ended March 31, 2017 the Company issued no restricted shares of common stock to consultants for investor relations services.

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

Item 6. (a) Exhibits

Number	Exhibit
31	Rule 13a-14(a) Certifications
32	Section 1350 Certifications

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEL-SCI CORPORATION

Date: December 11, 2017 By: /s/ Geert Kersten
Geert Kersten
Geert Kersten, Principal Executive Officer*

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

35