PAXSON COMMUNICATIONS CORP
Form DEF 14A
April 15, 2003

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SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-12

Paxson Communications Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 15, 2003

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Paxson Communications Corporation (the Company), which will be held at the Sheraton West Palm Beach at CityPlace Hotel, 630 Clearwater Park Road, West Palm Beach, Florida 33401, on May 16, 2003, at 11:00 a.m., local time.

Please note that attendance at the Annual Meeting will be limited to stockholders as of the record date (or their authorized representatives) and to our invited guests. If your shares are registered in your name and you plan to attend the Annual Meeting, please mark the appropriate box on the enclosed proxy card and you will be pre-registered for the meeting (if your shares are held of record by a broker, bank or other nominee and you plan to attend the meeting, you must also pre-register by returning the registration card forwarded to you by your bank or broker). Stockholders who are not pre-registered will only be admitted to the Annual Meeting upon verification of stock ownership.

The notice of the meeting and proxy statement on the following pages contain information concerning the business to be considered at the meeting. Please give these proxy materials your careful attention. It is important that your shares be represented and voted at the Annual Meeting regardless of the size of your holdings. Accordingly, whether or not you plan to attend the Annual Meeting, please complete, sign, and return the accompanying proxy card in the enclosed envelope in order to make sure your shares will be represented at the Annual Meeting. Stockholders who attend the Annual Meeting will have the opportunity to vote in person.

Sincerely,

LOWELL W. PAXSON
Chairman of the Board and Chief Executive Officer

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PAXSON COMMUNICATIONS CORPORATION

601 Clearwater Park Road
West Palm Beach, Florida 33401-6233

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 16, 2003

The Annual Meeting of Stockholders of Paxson Communications Corporation will be held at the Sheraton West Palm Beach at CityPlace Hotel, West Palm Beach, Florida 33401, on May 16, 2003, at 11:00 a.m., local time, for the following purposes:

1. To approve an increase in the total number of shares of Class A Common Stock that may be subject to awards under our 1998 Stock Incentive Plan from 9,803,292 shares to 12,603,292 shares;

2. To ratify the appointment of Ernst & Young LLP as our independent certified public accountants for 2003; and

3. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on April 10, 2003, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting.

Stockholders are requested to vote, date, sign and promptly return the enclosed proxy in the envelope provided for that purpose, WHETHER OR NOT THEY INTEND TO BE PRESENT AT THE MEETING.

By Order of the Board of Directors

Anthony L. Morrison, *Secretary*

West Palm Beach, Florida
April 15, 2003

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PAXSON COMMUNICATIONS CORPORATION

601 Clearwater Park Road
West Palm Beach, Florida 33401-6233

PROXY STATEMENT

We are providing this proxy statement and the accompanying proxy card to our stockholders beginning on or about April 15, 2003, in connection with the solicitation of proxies by the Board of Directors of Paxson Communications Corporation (the Company), to be voted at the Annual Meeting of Stockholders to be held on May 16, 2003, and at any adjournment thereof (the Meeting). The Board of Directors has fixed the close of business on April 10, 2003, as the record date of the determination of stockholders entitled to notice of and to vote at the Meeting. At the close of business on the record date, we had outstanding (i) 59,261,670 shares of $0.001 par value Class A Common Stock (Class A Common Stock), entitled to one vote per share, (ii) 8,311,639 shares of $0.001 par value Class B Common Stock (Class B Common Stock, and with the Class A Common Stock, collectively, the Common Stock), entitled to ten votes per share, and (iii) 11,918 shares of 9 3/4% Series A Convertible Preferred Stock (Series A Convertible Preferred Stock), entitled to 625 votes per share.

Voting

Shares represented by duly executed proxies in the accompanying form received by us prior to the Meeting will be voted at the Meeting in accordance with the directions given. If a proxy card is signed and returned without specifying a vote or an abstention on any proposal, it will be voted according to the recommendation of the Board of Directors on that proposal. The Board of Directors recommends a vote **FOR** the approval of an increase in the total number of shares of Class A Common Stock that may be subject to awards under our 1998 Stock Incentive Plan and the ratification of the appointment of Ernst & Young LLP as our independent certified public accountants for 2003. The Board of Directors knows of no business to be transacted at the Meeting other than the proposals set forth in this Proxy Statement. If other matters are properly presented for action, it is the intention of the persons named as proxies to vote on such matters according to their best judgment.

If you hold your shares through an intermediary you must provide instructions on voting as requested by your bank or broker. If you sign and return a proxy, you may revoke it at any time before it is voted by taking one of the following three actions: (i) giving written notice of the revocation to the Secretary of the Company; (ii) executing and delivering a proxy with a later date; or (iii) voting in person at the Meeting. Attendance at the Meeting will not in itself constitute revocation of a proxy.

The presence in person or by proxy of the holders of shares of stock possessing the power to cast a majority of the votes which could be cast by all outstanding shares of stock entitled to vote at the Meeting constitutes a quorum for the transaction of business at the Meeting. The affirmative vote of at least a majority of the votes cast in person or by properly executed proxy is required to approve each of the proposals to be considered at the Meeting. Votes cast by proxy or in person at the Meeting will be tabulated by one or more inspectors of election appointed at the Meeting, who will also determine whether a quorum is present for the transaction of business. Abstentions and broker non-votes will be counted as shares present at the Meeting for purposes of determining whether a quorum is present. As to matters to be considered at the Meeting, abstentions will be treated as votes AGAINST, and broker non-votes will not be counted as shares voting for the purpose of determining whether a proposal has been approved. Lowell W. Paxson, our Chairman and Chief Executive Officer and the beneficial owner of a majority of the voting power of our outstanding stock, has advised us that he intends to vote all shares which he is entitled to vote in favor of the proposals being submitted at the Meeting, therefore approval of the proposals by our stockholders is assured.

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SECURITY OWNERSHIP OF MANAGEMENT AND

CERTAIN BENEFICIAL OWNERS

The following table sets forth information as to our equity securities beneficially owned on April 8, 2003, by (i) each director, (ii) each executive officer named in the Summary Compensation Table, (iii) all of our directors and executive officers as a group, and (iv) any person who we know to be the beneficial owner of more than five percent of any class of our voting securities. Beneficial ownership means sole or shared voting power or investment power with respect to a security. We have been informed that all shares shown are held of record with sole voting and investment power, except as otherwise indicated.

Class of Stock	Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	% of Class	Aggregate Voting Power(%)
Class A Common Stock	National Broadcasting Company, Inc.(2)	63,928,159	51.9	29.9
	Lowell W. Paxson(3)	19,217,262	32.4	12.8
	Mario J. Gabelli(4)	7,318,022	12.3	4.9
	Merrill Lynch & Co., Inc.(5)	5,869,666	9.9	3.9
	Master Small Cap Value Trust(6)	3,784,100	6.4	2.5
	Jeffrey Sagansky(7)	2,182,643	3.6	1.5
	Henry J. Brandon(8)	1,180,628	2.0	*
	Dean M. Goodman(7)	450,128	*	*
	Anthony L. Morrison(7)	338,528	*	*
	Seth A. Grossman(7)	163,796	*	*
	Bruce L. Burnham(7)	75,058	*	*
	Thomas E. Severson, Jr.	58,391	*	*
	James L. Greenwald(7)	48,599	*	*
	John E. Oxendine	22,312	*	*
	All directors and executive officers as a group (11 persons)(9)	23,768,050	38.0%	15.6%
Class B Common Stock	Lowell W. Paxson	8,311,639	100%	55.5%
	All directors and executive officers as a group	8,311,639	100%	55.5%

* Less than 1%

(1) Unless otherwise specified in the footnotes to this table, the address of each person in this table is c/o Paxson Communications Corporation, 601 Clearwater Park Road, West Palm Beach, Florida 33401-6233.

(2) Consists of 31,896,032 shares of Class A Common Stock issuable upon conversion of shares of 8% Series B Convertible Exchangeable Preferred Stock held by NBC Palm Beach Investment I, Inc., and 32,032,127 shares of Class A Common Stock issuable upon exercise of outstanding warrants held by NBC Palm Beach Investment II, Inc. The holders rights to acquire shares of Class A Common Stock upon conversion and exercise, respectively, of those securities, although currently exercisable, are subject to material conditions, including compliance with the rules of the Federal Communications Commission. This amount does not include shares of Class B Common Stock beneficially owned by Mr. Paxson that NBC Palm Beach Investment II, Inc. has the right to acquire. According to information contained in an amendment to Schedule 13D filed with the Securities and Exchange Commission (the Commission), dated February 15, 2002, each of such holders is a subsidiary of National Broadcasting Company, Inc. (NBC), whose address is 30 Rockefeller Plaza, New York, New York 10112, and NBC and its parent entity, General Electric Company, Inc., each disclaims beneficial ownership of such securities.

(3) Does not include 8,311,639 shares of Class B Common Stock, each share of which is convertible into one share of Class A Common Stock. Mr. Paxson is the beneficial owner of all reported shares, other than 100 shares of Class A Common Stock, through his control of Second Crystal Diamond, Limited Partnership and Paxson Enterprises, Inc.

(4)

According to information contained in an amendment to Schedule 13D filed with the Commission, dated April 1, 2002, various investment funds and other entities controlled by or affiliated with Mario J. Gabelli and Marc J. Gabelli, each of whose address is c/o Gabelli Asset Management, Inc., One Corporate Center, Rye, New York 10580, acquired such shares for investment for one or more accounts over which they have shared or sole investment and voting power or for their own account.

(5) The address of Merrill Lynch & Co., Inc., is World Financial Center, North Tower, 250 Vesey Street, New York, New York 10381.

(6) The address of Master Small Cap Value Trust is 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

(7) Includes shares which may be acquired within 60 days through the exercise of stock options granted under the Company s Stock Incentive Plans as follows: Jeffrey Sagansky 1,700,000; Dean M. Goodman 127,661; Anthony L. Morrison 150,000; Seth A. Grossman - 40,800; Bruce L. Burnham 13,750; James L. Greenwald 9,500.

(8) Consists of shares which may be acquired upon the exercise of warrants and conversion of Series A Convertible Preferred Stock held by an affiliate of William E. Simon & Sons, LLC, a private investment firm with which Mr. Brandon was previously employed as a principal. Mr. Brandon has shared voting and disposition power with respect to such shares.

(9) Includes 1,541,711 shares which may be acquired within 60 days through the exercise of stock options granted under the Company s Stock Incentive Plans, 500,000 shares which may be acquired within 60 days through the exercise of additional stock options granted to Mr. Sagansky, and 1,180,628 shares which may be acquired upon the exercise of warrants and conversion of Series A Convertible Preferred Stock held by an affiliate of William E. Simon & Sons, LLC, a private investment firm with which Mr. Brandon was previously employed.

Potential Change in Control

On September 15, 1999, NBC, through subsidiaries, purchased $415 million aggregate liquidation preference of shares of our 8% Series B Convertible Exchangeable Preferred Stock, which are convertible into 31,896,032 shares of Class A Common Stock, and acquired warrants to purchase an additional 32,032,127 shares of Class A Common Stock. Concurrently, NBC entered into an agreement with Mr. Paxson, our Chairman and controlling stockholder, and certain of his affiliates, pursuant to which NBC was granted the right to purchase all (but not less than all) 8,311,639 shares of our outstanding Class B Common Stock beneficially owned by Mr. Paxson, which shares are entitled to ten votes per share on all matters submitted to a vote of our stockholders.

Pursuant to these agreements and the related agreements entered into in connection with the transaction, NBC has the right to acquire voting and operational control of our company, subject to various conditions including approval of the Federal Communications Commission, or FCC. Exercise of these rights by NBC would result in a change in control of our company.

In December 2001, we commenced a binding arbitration proceeding against NBC in which we asserted that NBC breached its agreements with us and breached its fiduciary duty to us and to our stockholders. We asserted that NBC s proposed acquisition of Telemundo Communications Group, Inc. (Telemundo Group) (which was completed in April 2002) violates the terms of the agreements governing the investment and partnership between us and NBC. In September 2002, the arbitrator ruled against us on all of our claims, denying us any of the relief we had sought with respect to what we believed to be NBC s wrongful actions. Accordingly, the provisions of our agreements with NBC remain in effect without change.

As NBC has consummated the acquisition of the Telemundo Group, it is highly unlikely that NBC would be able to acquire control of our company under the terms of our existing agreement. At the same time, NBC retains its investment in us and its ability to exercise a significant influence over our operations.

BOARD OF DIRECTORS

Our Board of Directors is divided into three classes. A class of directors is elected each year to serve for a three year term and until their successors are elected and qualified. Any director appointed by the Board of Directors to fill a vacancy on the Board serves the balance of the unexpired term of the class of directors in which the vacancy occurred. The terms of the Class I directors (Messrs. Paxson, Sagansky and Brandon) expire upon the election and qualification of directors at the Annual Meeting of Stockholders to be held in 2004. The terms of the Class II directors (Messrs. Burnham, Greenwald and Oxendine) expire upon the election and qualification of directors at the Annual Meeting of Stockholders to be held in 2005. Our former Class III directors, all of whom were employees of NBC, resigned during November and December, 2001, and we currently have no Class III directors. No persons have been nominated to stand for election as Class III

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directors, nor do we currently intend to fill these vacancies on our Board of Directors. **Therefore, there are no nominees for election as directors to be voted on at the Meeting.** The terms of any Class III directors who may be appointed by the Board of Directors will expire upon the election and qualification of directors at the Annual Meeting of Stockholders to be held in 2006.

Biographical and other information concerning our directors is set forth below.

Class I Directors Continuing in Office (Term to Expire at the Annual Meeting in 2004)

	Age	Position, Principal Occupation, Business Experience and Directorships	Director Since
Lowell W. Paxson	67	Chairman of the Board since 1991 and Chief Executive Officer of the Company since December 2002 and from 1991 to 1998. President, Home Shopping Network, Inc. from 1985 to 1990.	1991
Jeffrey Sagansky	51	Vice Chairman of the Board since December 2002. President and Chief Executive Officer of the Company from 1998 to December 2002. Co-President, Sony Pictures Entertainment, a producer of film and video programming, from 1996 to 1997.	1998
Henry J. Brandon	45	Senior Vice President and Chief Financial Officer since August 2002 of Leeward Islands Lottery Holding Company, Inc., a lottery management and production company. Principal, William E. Simon & Sons, LLC, a private investment firm and merchant bank, from 1995 to 2002.	2001

Class II Directors Continuing in Office (Term to Expire at the Annual Meeting in 2005)

	Age	Position, Principal Occupation, Business Experience and Directorships	Director Since
Bruce L. Burnham	69	President since 1993 of The Burnham Group, a firm providing consulting and marketing services to the retail industry.	1996
James L. Greenwald	76	Chairman and Chief Executive Officer from 1975 to 1994 of Katz Communications, Inc., a broadcast advertising representative sales firm; Chairman Emeritus since 1994. Director, Granite Broadcasting Company and Source Media, Inc.	1996
John E. Oxendine	60	President and Chief Executive Officer since 1998 of Blackstar, Inc.; Chairman and Chief Executive Officer since 1999 of Broadcast Capital, Inc.; Chairman from 1994 to 1998 of Blackstar LLC; Chairman and Chief Executive Officer from 1987 to 1998 of Blackstar Communications, Inc. All of such entities are owners and operators of, or investors in, broadcast television stations.	2000

Class III Directors Continuing in Office (Term to Expire at the Annual Meeting in 2006)

None; seats are currently vacant.

Other Executive Officers

Dean M. Goodman, 55, has been our President since December 2002, and our Chief Operating Officer since September 2001. Mr. Goodman also served as our Executive Vice President from September 2001 to December 2002, and as the President of our PAX TV network television operations from February 1998 to December 2002. Mr. Goodman was president of our *inTV* and Network-Affiliated Television divisions from 1995 to 1997. From 1993 to 1995, Mr. Goodman was general manager of our Miami, Florida radio station group.

Anthony L. Morrison, 41, has served as our Executive Vice President, Secretary and Chief Legal Officer since 1995. Prior to that time he was an attorney in private practice with the O Melveny & Myers law firm, concentrating his practice on commercial financings.

Seth A. Grossman, 38, has served as our Executive Vice President and Chief Strategic Officer since 2000. Mr. Grossman also served as our Senior Vice President and Chief Financial Officer from December 1999 until August 2000. From 1997 to December 1999, he was our Senior Vice President, Corporate Development and from 1995 to 1997, he was our Director of Finance.

Thomas E. Severson, Jr., 39, has served as our Senior Vice President and Chief Financial Officer since 2000. From 1995 until 2000, Mr. Severson was employed by Sinclair Broadcast Group, Inc., in various finance and accounting positions, most recently serving as Vice President and Chief Accounting Officer.

Ronald L. Rubin, 37, has served as our Vice President, Chief Accounting Officer and Corporate Controller since 2001. From 1996 until 2001, Mr. Rubin was employed by AutoNation, Inc., in various finance and accounting positions, most recently serving as Vice President and Corporate Controller.

The Board of Directors and its Committees

During 2002, the Board of Directors held six meetings. Each incumbent director attended at least 75% of the total number of Board meetings and meetings of committees of which he is a member. In addition, the Board of Directors took action five times during 2002 by unanimous written consent in lieu of a meeting, as permitted by applicable state law.

The Compensation Committee consists of James L. Greenwald, Bruce L. Burnham and John E. Oxendine. Mr. Greenwald is the chairman of the Compensation Committee. The Compensation Committee recommends to the Board both base salary levels and bonuses for the Chief Executive Officer and our other officers. See Board Compensation Committee Report on Executive Compensation. The Compensation Committee also reviews and makes recommendations with respect to our existing and proposed compensation plans, and serves as the committee responsible for administering our Stock Incentive Plans. During 2002, the Compensation Committee met informally in conjunction with each of the meetings of the Board of Directors, and held two separate Committee meetings.

The Audit Committee consists of Bruce L. Burnham, James L. Greenwald, John E. Oxendine and Henry J. Brandon. Mr. Burnham is the chairman of the Audit Committee. The Audit Committee operates under a written charter adopted by the Board of Directors which is attached as Appendix A to this proxy statement. Each of the members of the Audit Committee is an independent director as defined under the rules of the American Stock Exchange and is independent, as that term is defined in Section 10A of the Securities Exchange Act of 1934, as amended. This committee is primarily concerned with the accuracy and effectiveness of the audits of our financial statements by our independent certified public accountants. The duties of the Audit Committee are to select, retain, oversee and evaluate our independent certified public accountants, to meet with our independent certified public accountants to review the scope and results of the audit, to approve non-audit services provided to us by our independent certified public accountants, and to consider various accounting and auditing matters related to our system of internal controls, financial management practices and other matters. During 2002, the Audit Committee met ten times.

The Company does not have a nominating committee. This function is performed by the Board of Directors.

Compensation of Directors

Directors who are not our employees receive an annual retainer of $24,000 and are paid fees of $1,500 for each board meeting attended, $1,000 for each committee meeting attended and $500 for each meeting chaired. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors and of committees of the Board of Directors. In September 2001, Mr. Burnham and Mr. Greenwald each received options to purchase 50,000 shares of Class A Common Stock

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at an exercise price of $7.25 per share, vesting ratably over a four year period commencing in May 2001. In connection with his commencement of service as a director, Mr. Oxendine received options to purchase 50,000 shares of Class A Common Stock at the same exercise price, vesting ratably over a five year period commencing in March 2000. In April 1999, Mr. Burnham and Mr. Greenwald each received a 50,000 share option grant at the same exercise price, vesting ratably over five years. No other directors receive separate compensation from us for services rendered as a director, including directors who are employed by us.

In January 2003, Messrs. Burnham, Greenwald and Oxendine participated in the Company s Stock Option Exchange Offer (described under Proposal 1 Amendment of the 1998 Stock Incentive Plan), under which they exchanged 100,000, 100,000 and 50,000 of their outstanding options, respectively, for 20,458, 20,349 and 7,312 fully vested shares, respectively, of the Company s Class A Common Stock and an additional 18,750, 18,750 and 15,000 shares, respectively, of the Company s Class A Common Stock which will vest on January 22, 2004.

Certain Transactions Involving Directors and Officers

NBC Transactions. On September 15, 1999, the Company, NBC and Mr. Paxson, our Chairman and controlling stockholder, entered into a series of agreements which created a significant strategic and financial relationship between the two companies and under which, subject to various conditions including FCC approval, NBC has the ability to acquire voting and operational control of our Company. We also entered into an agreement with NBC pursuant to which NBC serves as our exclusive sales representative to sell our PAX TV Network advertising time for agreed compensation. We have also entered into joint sales agreements with NBC with respect to 14 of our stations serving 12 markets also served by an NBC owned and operated station, and with 29 independently owned NBC affiliated stations serving our markets. Prior to their resignation in November and December 2001, we had three Class III directors who were employees of NBC.

DP Media. On November 21, 1999, we agreed to purchase the television station assets (eight stations and a contractual right to acquire a television station, WBPX, and two full power satellite stations serving the Boston, Massachusetts market) of DP Media, Inc. and certain related corporations (collectively, DP Media) which were then beneficially owned by family members of Mr. Paxson. In conjunction with the acquisition agreement, we advanced approximately $106 million to DP Media pursuant to a secured loan agreement, which was used to repay DP Media s outstanding indebtedness to third party lenders. On March 3, 2000, we agreed with DP Media to convert the asset sale transaction into a purchase by us of all of the capital stock of DP Media. In June 2000, we completed the acquisition of DP Media for aggregate consideration of $113.5 million, including the $106 million previously advanced. DP Media s assets included a 32% equity interest in a limited liability company controlled by the former stockholders of DP Media, which owns television station WWDP in Norwell, Massachusetts. In April 2003, we and the stockholders of DP Media sold our limited liability company interests in the entity which owned WWDP to Valuevision Media Acquisition, Inc. for an aggregate purchase price of $32.5 million, of which we have received net proceeds of $12.5 million and expect to receive an additional $1.3 million of net proceeds.

The Christian Network, Inc. We have entered into several agreements with The Christian Network, Inc. (referred to herein as CNI). CNI is a section 501(c)(3) not-for-profit corporation to which Mr. Paxson has been a substantial contributor and of which he was a member of the Board of Stewards through 1993.

We entered into an agreement with CNI in May 1994 (the CNI Tax Agreement) under which we agreed that, if the tax exempt status of CNI were jeopardized by virtue of its relationship with us, we would take certain actions to ensure that CNI s tax exempt status would no longer be so jeopardized. These steps could include rescission of one or more transactions or additional payments by us. We believe that our agreements with CNI have been on terms as favorable to CNI as it would obtain in arm s length transactions, and we intend any future agreements with CNI to be as favorable to CNI as CNI would obtain in arm s length transactions. Accordingly, if our activities with CNI are consistent with the terms governing our relationship, we should not be required to take any actions under the CNI Tax Agreement. We cannot be sure, however, that we will not be required to take any actions under the CNI Tax Agreement which might have a material cost to us.

We have contracted with CNI to lease CNI s television production and distribution facility, the Worship Channel Studio. We utilize this facility primarily as our network operations center and originate our PAX TV network signal from this location. As the current lease expires on July 31, 2003, we have entered into negotiations with CNI to extend the lease. During the year ended December 31, 2002, we incurred rental charges in connection with this agreement of $209,000.

In March 1999, we entered into an agreement with CNI to license CNI s programming, which agreement expired on May 31, 2002 without being renewed. During the year ended December 31, 2002, we paid license fees in connection with this agreement of $93,000.

On September 10, 1999, we entered into a Master Agreement with CNI for overnight programming and use of a portion of the digital broadcasting capacity of our television stations in exchange for CNI s providing public interest programming. The Master Agreement has a term of 50 years and is automatically renewable for successive ten year periods unless CNI ceases to exist, commences action to liquidate, ceases family values programming or the FCC revokes the licenses of a majority of our stations. Pursuant to the Master Agreement, we broadcast CNI overnight programming on each of our stations seven days a week from 1:00 a.m. to 6:00 a.m. When our stations begin digital programming in multiple channels, we are obligated to make a digital channel available for CNI s use. CNI will have the right to use the digital channel for 24 hour CNI digital programming.

We are exploring strategic alternatives, which may include the sale of all or part of our assets to a third party, finding a strategic partner, or finding a third party to purchase the equity of our company. Our ability to pursue strategic alternatives will be dependent upon the attractiveness of our assets and business plan to potential strategic partners or buyers. Among other things, potential strategic partners or buyers may find unattractive the overnight programming provided by CNI which we currently carry or the terms of our agreements with CNI. We may be prevented from consummating a strategic transaction because of these and other factors, or we may incur significant costs to terminate obligations and commitments with respect to CNI, or receive less consideration in a strategic transaction as a result of these and other factors.

Officer Loans. During December 1996, we approved a program to extend loans to members of our senior management to finance their purchase of shares of Class A Common Stock in the open market. The loans are full recourse promissory notes bearing interest at 5.75% per annum and are collateralized by a pledge of the shares of Class A Common Stock purchased with the loan proceeds. During 2001, we extended the maturity date of all loans outstanding under this program until March 31, 2003. The largest aggregate amounts of indebtedness outstanding during 2002 under these loans to our Named Executive Officers were as follows: Mr. Goodman, $685,006; Mr. Morrison, $359,767; and Mr. Grossman, $164,574. As of April 11, 2003, the outstanding balances on such loans to our Named Executive Officers were as follows: Mr. Goodman, $335,006; Mr. Morrison, $69,767; and Mr. Grossman, $164,574. Following the enactment in July 2002 of the Sarbanes-Oxley Act of 2002, we are not permitted to further extend the maturity date of these loans and are taking actions to collect the outstanding balances on such loans. During March and through April 11, 2003, we received payments of $350,000 from Mr. Goodman and $290,000 from Mr. Morrison in respect of their loan balances. Because of uncertainty regarding the timing and collection of the unpaid balances of these loans, we recorded a reserve totaling $0.8 million in the fourth quarter of 2002.

Agreement with Mr. Sagansky. In connection with the termination of Mr. Sagansky s employment as our President and Chief Executive Officer in December 2002, we amended the employment agreement we originally entered into with Mr. Sagansky in September 1999. Under the amended agreement, the term of which is concurrent with Mr. Sagansky s service as a member of our Board of Directors, Mr. Sagansky is to serve as our Vice Chairman and to consult with us on a part-time basis regarding programming development and production. The amended agreement provides for the immediate vesting of all options we granted Mr. Sagansky under his original employment agreement, and also permitted Mr. Sagansky to participate in our Stock Option Exchange Offer described below. We also made a one-time payment of $519,750 to

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Mr. Sagansky in satisfaction of our cash compensation obligations under the original employment agreement, other than expense reimbursement obligations, and agreed to permit Mr. Sagansky to participate through September 15, 2003 in all health and benefit plans which we provide to our senior management.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and officers and persons who own more than ten percent of our Common Stock (Reporting Persons) to file initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company with the Securities and Exchange Commission and to furnish us with copies of all Section 16(a) reports they file. Based on our review of the copies of such reports received by us and written representations from certain Reporting Persons, we believe that during 2002, all required reports were filed on a timely basis.

Executive Compensation

The following table presents information concerning the compensation received or accrued for services rendered during the fiscal years ended December 31, 2002, 2001 and 2000 for all individuals who served as our Chief Executive Officer during the fiscal year ending December 31, 2002 and our four most highly compensated executive officers, other than such Chief Executive Officers, who were serving as of December 31, 2002 (collectively, the Named Executive Officers).

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary(1)	Bonus	Other Annual Compensation	Number of Securities Underlying Options	All Other Compensation (2)(3)(4)
Lowell W. Paxson	2002	$744,150	$	$	0	$ 33,513(7)
Chairman of the Board,	2001	660,000			0	67,781(7)
Chief Executive Officer	2000	610,000	75,000		0	96,072(7)
Jeffrey Sagansky	2002	664,125			0	588,974(8)
Vice-Chairman of the	2001	660,000	330,000		0	69,640
Board, Former Chief	2000	610,000	75,000		0	63,276
Executive Officer						
Dean M. Goodman	2002	455,333			0	48,147
President, Chief	2001	433,650	130,098		150,000	43,771
Operating Officer	2000	412,997	30,975	1,023,273(5)	0	44,270
Anthony L. Morrison	2002	303,188		214,550(5)	0	32,360
Executive Vice President,	2001	288,750	87,200	165,584(5)	150,000	29,477
Chief Legal Officer	2000	275,000	10,313		0	29,756
Seth A. Grossman	2002	259,875			0	1,000
Executive Vice President,	2001	247,500	37,128		125,000	1,000
Chief Strategic Officer	2000	219,750	80,363		0	1,000
Thomas E. Severson, Jr.	2002	245,000		140,651(5)	0	
Senior Vice President,	2001	216,667	51,000		50,000	
Chief Financial Officer,	2000	83,333	43,125	88,089(6)	150,000	
Treasurer						

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(1) Includes amounts Named Executive Officers elected to defer under our Profit Sharing Plan.

(2) Includes contributions to supplemental retirement plans as follows: during 2002, Mr. Sagansky $66,413; Mr. Goodman $45,533; Mr. Morrison $30,319; during 2001, Mr. Sagansky $66,000; Mr. Goodman $41,300; Mr. Morrison $27,500; during 2000, Mr. Sagansky $60,000; Mr. Goodman $41,300; Mr. Morrison $27,500.

(3) Includes $1,000 Company contributions to the Profit Sharing Plan during 2000, 2001 and 2002.

(4) Includes cost of term life insurance equivalent for life insurance policies as follows: during 2002, Mr. Paxson $4,967; Mr. Sagansky $2,811; Mr. Goodman $1,614; Mr. Morrison $1,041; during 2001, Mr. Sagansky $2,640; Mr. Paxson $4,913; Mr. Goodman $1,471; Mr. Morrison $977; during 2000, Mr. Sagansky $2,276; Mr. Goodman $1,970; Mr. Morrison $1,256.

(5) Represents the difference between the price paid by the Named Executive Officer upon the exercise of stock options and the fair market value of the underlying common stock at the time of exercise.

(6) Represents relocation assistance, including payment for income taxes of $34,760.

(7) Includes the economic benefits of the premiums we paid under a split dollar life insurance policy. We are entitled to recover the premiums from any amounts paid by the insurer on the split dollar life policy and have retained an interest in the policy to the extent of the premiums paid.

(8) Includes $519,750 in termination benefits to Mr. Sagansky.

Option Grants in Last Fiscal Year

We did not grant options to purchase shares of our capital stock to any of the Named Executive Officers during the year ended December 31, 2002.

2002 Aggregated Option Exercises and Fiscal Year-End Option Values

The following table sets forth information with respect to stock options exercised by the Named Executive Officers during the fiscal year ended December 31, 2002 and stock options held as of December 31, 2002 by each Named Executive Officer.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2002		Value of Unexercised In-The-Money Options at December 31, 2002(1)	
			Exercisable(2)	Unexercisable	Exercisable	Unexercisable
Lowell W. Paxson		$			$	$
Jeffrey Sagansky			3,200,000		2,103,600	
Dean M. Goodman			682,661	195,000		
Anthony L. Morrison	25,000	214,550	454,200	144,800		
Seth A. Grossman			220,900	66,900		
Thomas E. Severson, Jr.	37,500	140,651	50,000	112,500		

(1) Based on the closing sale price of the Class A Common Stock of $2.06 on December 31, 2002.

(2)

CEL-SCI has incurred significant losses since inception, and CEL-SCI anticipates that it will continue to incur significant losses for the foreseeable future and may never achieve or maintain profitability.

CEL-SCI has a history of net losses, expects to incur substantial losses and have negative operating cash flow for the foreseeable future, and may never achieve or maintain profitability. Since the date of its formation and through September 30, 2016, CEL-SCI incurred net losses of approximately $286 million. CEL-SCI has relied principally upon the proceeds from the public and private sales of its securities to finance its activities to date. To date, CEL-SCI has not commercialized any products or generated any revenue from the sale of products, and CEL-SCI does not expect to generate any product revenue for the foreseeable future. CEL-SCI does not know whether or when it will generate product revenue or become profitable.

CEL-SCI is heavily dependent on the success of Multikine which is under clinical development. CEL-SCI cannot be certain that Multikine will receive regulatory approval or be successfully commercialized even if CEL-SCI receives regulatory approval. On September 26, 2016, FDA placed CEL-SCI's Phase 3 clinical trial for Multikine on partial clinical hold. CEL-SCI will not be able to enroll any additional patients in the Phase 3 clinical trial unless FDA removes the clinical hold. In addition, prior to FDA's issuance of the partial clinical hold, CEL-SCI was discussing with its Independent Data Monitoring Committee issues related to enrollment of additional patients in trial. Multikine is the only product candidate in late-stage clinical development, and CEL-SCI's business currently depends heavily on its successful development, regulatory approval and commercialization. CEL-SCI has no drug products for sale currently and may never be able to develop approved and marketable drug products.

Even if CEL-SCI succeeds in developing and commercializing one or more of its product candidates, CEL-SCI expects to continue to incur significant operating and capital expenditures as CEL-SCI:

continues to undertake preclinical development and clinical trials for product candidates;

seeks regulatory approvals for product candidates;

implements additional internal systems and infrastructure.

To become and remain profitable, CEL-SCI must succeed in developing and commercializing product candidates which must generate significant revenue. This will require CEL-SCI to be successful in a range of challenging activities, including completing preclinical testing and clinical trials of its product candidates, discovering or acquiring additional product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing and selling any products for which CEL-SCI may obtain regulatory approval. CEL-SCI is only in the preliminary stages of most of these activities. CEL-SCI may never succeed in these activities and, even if CEL-SCI does, may never generate revenue that is significant enough to achieve profitability.

Even if CEL-SCI does achieve profitability, it may not be able to sustain or increase profitability on a quarterly or annual basis. The failure to become and remain profitable could depress the value of CEL-SCI and could impair its ability to raise capital, expand its business, maintain research and development efforts, diversify product offerings or even continue in operation. A decline in the value of CEL-SCI could cause its stockholders to lose all or part of their investment.

CEL-SCI will require substantial additional capital to remain in operation. A failure to obtain this necessary capital when needed could force CEL-SCI to delay, limit, reduce or terminate the product candidates' development or commercialization efforts.

As of September 30, 2016, CEL-SCI had cash and cash equivalents of $2.9 million. CEL-SCI believes that it will continue to expend substantial resources for the foreseeable future developing Multikine, LEAPS and any other product candidates or technologies that it may develop or acquire. These expenditures will include costs associated with research and development, potentially obtaining regulatory approvals and having the products manufactured, as well as marketing and selling products approved for sale, if any. In addition, other unanticipated costs may arise. Because the outcome of the current and anticipated clinical trials is highly uncertain, CEL-SCI cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of the product candidates.

CEL-SCI's future capital requirements depend on many factors, including:

the rate of progress of, results of and cost of completing Phase 3 clinical development of Multikine for the treatment of certain head and neck cancers;

the results of the applications to and meetings with the FDA, the EMA and other regulatory authorities and the consequential effect on operating costs;

assuming favorable Phase 3 clinical results, the cost, timing and outcome of the efforts to obtain marketing approval for Multikine in the United States, Europe and in other jurisdictions, including the preparation and filing of regulatory submissions for Multikine with the FDA, the EMA and other regulatory authorities;

the scope, progress, results and costs of additional preclinical, clinical, or other studies for additional indications for Multikine, LEAPS and other product candidates and technologies that CEL-SCI may develop or acquire;

the timing of, and the costs involved in, obtaining regulatory approvals for LEAPS if clinical studies are successful;

the cost and timing of future commercialization activities for the products, if any of the product candidates are approved for marketing, including product manufacturing, marketing, sales and distribution costs;

the revenue, if any, received from commercial sales of the product candidates for which CEL-SCI receives marketing approval;

the cost of having the product candidates manufactured for clinical trials and in preparation for commercialization;

the ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements;

the costs involved in preparing, filing and prosecuting patent applications and maintaining, defending and enforcing its intellectual property rights, including litigation costs, and the outcome of such litigation; and

the extent to which CEL-SCI acquires or in-licenses other products or technologies.

Based on the current operating plan, and absent any future financings or strategic partnerships, CEL-SCI believes that its existing cash and cash equivalents and investments will be sufficient to fund the projected operating expenses and capital expenditure requirements into the second quarter of fiscal year 2017. However, CEL-SCI's operating plan may change as a result of many factors currently unknown to CEL-SCI, and CEL-SCI may need additional funds sooner than planned. Additional funds may not be available when CEL-SCI needs them on terms that are acceptable to CEL-SCI, or at all. If adequate funds are not available to CEL-SCI on a timely basis, CEL-SCI may be required to delay, limit, reduce or terminate preclinical studies, clinical trials or other development activities for Multikine, LEAPS, or any other product candidates or technologies that CEL-SCI develops or acquires, or delay, limit, reduce or terminate its sales and marketing capabilities or other activities that may be necessary to commercialize its product candidates. Due to recurring losses from operations and future liquidity needs, there is substantial doubt about CEL-SCI's ability to continue as a going concern without additional capital becoming available. The doubt about CEL-SCI's ability to continue as a going concern could have an adverse impact on CEL-SCI's ability to execute its business plan, result in the reluctance on the part of certain suppliers to do business with CEL-SCI, or adversely affect CEL-SCI's ability to raise additional debt or equity capital.

The costs of the product candidates development and clinical trials are difficult to estimate and will be very high for many years, preventing CEL-SCI from making a profit for the foreseeable future, if ever.

Clinical and other studies necessary to obtain approval of a new drug can be time consuming and costly, especially in the United States, but also in foreign countries. The estimates of the costs associated with future clinical trials and research may be substantially lower than what CEL-SCI actually experiences. It is impossible to predict what CEL-SCI will face in the development of a product candidate, such as Multikine. The purpose of clinical trials is to provide both CEL-SCI and regulatory authorities with safety and efficacy data in humans. It is relatively common to revise a trial or add subjects to a trial in progress. The difficult and often complex steps necessary to obtain regulatory approval, especially that of the FDA and the EMA, involve significant costs and may require several years to complete. CEL-SCI expects that it will need substantial additional financing over an extended period of time in order to fund the costs of future clinical trials, related research, and general and administrative expenses.

The extent of the clinical trials and research programs are primarily based upon the amount of capital available to CEL-SCI and the extent to which CEL-SCI receives regulatory approvals for clinical trials. CEL-SCI has established estimates of the future costs of the Phase 3 clinical trial for Multikine, but, as explained above, the estimates may not prove correct.

An adverse determination in any current or future lawsuits or arbitration proceedings to which CEL-SCI is a party could have a material adverse effect on CEL-SCI.

CEL-SCI 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). CEL-SCI initiated the proceedings against inVentiv Health Clinical, LLC, or inVentiv, the former third-party CRO, and is 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, CEL-SCI is seeking at least $50 million in damages in its amended statement of claim.

In an amended statement of claim, CEL-SCI 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 CEL-SCI 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 CEL-SCI 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. CEL-SCI 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 CEL-SCI's business, results, financial condition and liquidity.

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In October 2015 CEL-SCI 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 CEL-SCI with up to $5 million in funding for litigation expenses to support its arbitration claims against inVentiv. The funding is available to CEL-SCI to fund the expenses of the ongoing arbitration and will only be repaid if CEL-SCI receives proceeds from the arbitration.

The arbitration hearing on the merits began on September 26, 2016.

Additionally, CEL-SCI may also be the target of claims asserting violations of securities fraud and derivative actions, or other litigation or arbitration proceedings in the future. Any future litigation could result in substantial costs and divert management's attention and resources. These lawsuits or arbitration proceedings may result in large judgments or settlements against CEL-SCI, any of which could have a material adverse effect on its business, operating results, financial condition and liquidity.

CEL-SCI has received a subpoena from the Securities and Exchange Commission.

CEL-SCI has received subpoenas from the Securities and Exchange Commission, which is conducting a non-public, private investigation relating to certain of CEL-SCI's private and public financings as well as reports, articles and other publications prepared by third parties concerning CEL-SCI, the pending arbitration between CEL-SCI and CEL-SCI's former CRO, inVentiv Health, and CEL-SCI's Phase 3 clinical trial. This is the first SEC investigation involving CEL-SCI. While CEL-SCI is confident that it has the appropriate policies and procedures in place to ensure compliance with all SEC rules and regulations, CEL-SCI cannot predict when the SEC will conclude its investigation or the outcome of the investigation. CEL-SCI is cooperating fully with the SEC in this matter.

Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure may create uncertainty regarding compliance matters. New or changed laws, regulations and standards are subject to varying interpretations in many cases. As a result, their application in practice may evolve over time. CEL-SCI is committed to maintaining high standards of corporate governance and public disclosure. Complying with evolving interpretations of new or changing legal requirements may cause CEL-SCI to incur higher costs as CEL-SCI revises current practices, policies and procedures, and may divert management time and attention from potential revenue-generating activities to compliance matters. If the efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, CEL-SCI's reputation may also be harmed. Further, CEL-SCI's board members, chief executive officer, and other executive officers could face an increased risk of personal liability in connection with the performance of their duties. As a result, CEL-SCI may have difficulty attracting and retaining qualified board members and executive officers, which could harm its business.

CEL-SCI has not established a definite plan for the marketing of Multikine, if approved.

CEL-SCI has not established a definitive plan for marketing nor has CEL-SCI established a price structure for any of its product candidates, if approved. However, CEL-SCI intends, if it is in a position to do so, to sell Multikine itself in certain markets where it is approved, and or to enter into written marketing agreements with various third parties with established sales forces in such markets. The sales forces in turn would, CEL-SCI believes, focus on selling Multikine to targeted cancer centers, physicians and clinics involved in the treatment of head and neck cancer. CEL-SCI has already licensed future sales of Multikine, if approved, to three companies: Teva Pharmaceuticals in Israel, Turkey, Serbia and Croatia; Orient Europharma in Taiwan, Singapore, Hong Kong, Malaysia, South Korea, the Philippines, Australia and New Zealand; and Byron BioPharma, LLC in South Africa. CEL-SCI believes that these companies will have the resources to market Multikine appropriately in their respective territories, if approved, but there is no guarantee that they will. There is no assurance that CEL-SCI will be able to find qualified third-party partners to market its products in other areas, on terms that are favorable to CEL-SCI, or at all.

CEL-SCI may encounter problems, delays and additional expenses in developing marketing plans with third parties. In addition, even if Multikine, if approved, is cost-effective and demonstrated to increase overall patient survival, CEL-SCI may experience other limitations involving the proposed sale of Multikine, such as uncertainty of third-party coverage and reimbursement. There is no assurance that CEL-SCI can successfully market Multikine, if approved, or any other product candidates it may develop.

CEL-SCI hopes to expand its clinical development capabilities in the future, and any difficulties hiring or retaining key personnel or managing this growth could disrupt its operations.

CEL-SCI is highly dependent on the principal members of its management and development staff. If the Phase 3 Multikine clinical trial is successful, CEL-SCI expects to expand its clinical development and manufacturing capabilities, which will involve hiring additional employees. Future growth will require CEL-SCI to continue to implement and improve its managerial, operational and financial systems and continue to retain, recruit and train additional qualified personnel, which may impose a strain on its administrative and its operational infrastructure. The competition for qualified personnel in the biopharmaceutical field is intense. CEL-SCI is highly dependent on its ability to attract, retain and motivate highly qualified management and specialized personnel required for clinical development. Due to limited resources, CEL-SCI may not be able to manage effectively the expansion of its operations or recruit and train additional qualified personnel. If CEL-SCI is unable to retain key personnel or manage its future growth effectively, CEL-SCI may not be able to implement its business plan.

If product liability or patient injury lawsuits are brought against CEL-SCI, CEL-SCI may incur substantial liabilities and may be required to limit clinical testing or future commercialization of Multikine or its other product candidates.

CEL-SCI faces an inherent risk of product liability as a result of the clinical testing of Multikine and other product candidates, and will face an even greater risk if CEL-SCI commercializes any of its product candidates. For example, CEL-SCI may be sued if its Multikine or LEAPS product candidates, or any other future product candidates, allegedly cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing or, if approved, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product candidate, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts.

Furthermore, Multikine is made, in part, from components of human blood. There are inherent risks associated with products that involve human blood such as possible contamination with viruses, including hepatitis or HIV. Any possible contamination could cause injuries to patients who receive contaminated Multikine, or could require CEL-SCI to destroy batches of Multikine, thereby subjecting CEL-SCI to possible financial losses, lawsuits and harm to its business.

If CEL-SCI cannot successfully defend itself against product liability claims, CEL-SCI may incur substantial liabilities or be required to limit or cease the clinical testing or commercialization of its product candidates, if approved. Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

decreased demand for Multikine or other product candidates, if approved;

injury to CEL-SCI’s reputation;

withdrawal of existing, or failure to enroll additional, clinical trial participants;

costs to defend any related litigation;

a diversion of management’s time and resources;

substantial monetary awards to trial participants or patients;

product candidate recalls, withdrawals or labeling, marketing or promotional restrictions;

loss of revenue;

inability to commercialize Multikine or other product candidates; and

a decline in the price of CEL-SCI’s common stock.

Although CEL-SCI has product liability insurance for Multikine in the amount of $5.0 million, the successful prosecution of a product liability case against CEL-SCI could have a materially adverse effect upon its business if the amount of any judgment exceeds the insurance coverage. Any claim that may be brought against CEL-SCI could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by CEL-SCI’s insurance or that is in excess of the limits of the insurance coverage. CEL-SCI’s insurance policies also have various exclusions, and CEL-SCI may be subject to a claim for which CEL-SCI has no coverage. CEL-SCI may have to pay any amounts awarded by a court or negotiated in a settlement that exceed the coverage limitations or that are not covered by its insurance, and CEL-SCI may not have, or be able to obtain, sufficient capital to pay such amounts. CEL-SCI commenced the Phase 3 clinical trial for Multikine in December 2010. Although no claims have been brought to date, participants in the clinical trials could bring civil actions against CEL-SCI for any unanticipated harmful effects allegedly arising from the use of Multikine or any other product candidate that CEL-SCI may attempt to develop.

CEL-SCI's commercial success depends, in part, upon attaining significant market acceptance of its product candidates, if approved, among physicians, patients, healthcare payors and major operators of cancer clinics.

Even if CEL-SCI obtains regulatory approval for its product candidates, any resulting product may not gain market acceptance among physicians, healthcare payors, patients and the medical community, which are critical to commercial success. Market acceptance of any product candidate for which CEL-SCI receives approval depends on a number of factors, including:

the efficacy and safety as demonstrated in clinical trials;

the timing of market introduction of such product candidate as well as competitive products;

the clinical indications for which the drug is approved;

the approval, availability, market acceptance and reimbursement for the companion diagnostic;

acceptance by physicians, major operators of cancer clinics and patients of the drug as a safe and effective treatment;

the potential and perceived advantages of a product candidate over alternative treatments, especially with respect to patient subsets that are targeted with a product candidate;

the safety of a product candidate seen in a broader patient group, including its use outside the approved indications;

the cost of treatment in relation to alternative treatments;

the availability of adequate reimbursement and pricing by third-party payors and government authorities;

relative convenience and ease of administration;

the prevalence and severity of adverse side effects; and

the effectiveness of sales and marketing efforts.

If CEL-SCI's product candidates are approved but fail to achieve an adequate level of acceptance by physicians, healthcare payors and patients, CEL-SCI will not be able to generate significant revenues, and CEL-SCI may not become or remain profitable.

Our Independent Registered Public Accountants have included in its report on our financial statements a paragraph stating that we may be unable to continue as a going concern.

As a result of our recurring losses from operations, our independent registered public accounting firm, BDO USA, LLP, has issued a report in connection with their audit of our financial statements for the year ended September 30, 2016, that included an explanatory paragraph referring to our recurring losses from operations and expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. The doubt about our ability to continue as a going concern could have an adverse impact on our ability to execute our business plan, result in the reluctance on the part of certain suppliers to do business with us, or adversely affect our ability to raise additional debt or equity capital.

Risks Related to Government Approvals

CEL-SCI's product candidates must undergo rigorous preclinical and clinical testing and regulatory approvals, which could be costly and time-consuming and subject CEL-SCI to unanticipated delays or prevent CEL-SCI from marketing any products.

CEL-SCI's product candidates are subject to premarket approval from the FDA in the United States, the EMA in the European Union, and by comparable agencies in most foreign countries before they can be sold. Before obtaining marketing approval, these product candidates must undergo costly and time consuming preclinical and clinical testing which could subject CEL-SCI to unanticipated delays and may prevent CEL-SCI from marketing the product candidates. There can be no assurance that such approvals will be granted on a timely basis, if at all.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of the product candidates may not be predictive of the results of later-stage clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. CEL-SCI's current and future clinical trials may not be successful.

Although CEL-SCI is involved in Phase 1 and Phase 3 clinical trials for Multikine, CEL-SCI may experience delays in the clinical trials and CEL-SCI does not know whether the clinical trials will need to be redesigned, enroll patients on a timely basis or be completed on schedule, if at all. Clinical trials can be delayed for a variety of reasons, including delays related to:

the availability of financial resources needed to commence and complete the planned trials;

obtaining regulatory approval to commence a trial;

suspending enrollment in clinical trials, as in the case of the partial clinical hold issued by FDA related to our Phase 3 clinical trial for Multikine;

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reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;

obtaining Institutional Review Board, or IRB, approval at each clinical trial site;

recruiting suitable patients to participate in a trial;

having patients complete a trial or return for post-treatment follow-up;

clinical trial sites deviating from trial protocol or dropping out of a trial;

adding new clinical trial sites; or

manufacturing sufficient quantities of the product candidate for use in clinical trials.

Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors including the competence of the CRO running the study, size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications CEL-SCI is investigating. Furthermore, CEL-SCI relies on CROs and clinical trial sites to ensure the proper and timely conduct of the clinical trials and while CEL-SCI has agreements governing their committed activities, CEL-SCI has limited influence over their actual performance.

On October 31, 2013, CEL-SCI commenced arbitration proceedings against inVentiv Health Clinical, LLC, or inVentiv, its former clinical research organization (CRO). 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, CEL-SCI is seeking at least $50 million in damages in its amended statement of claim.

In connection with the pending arbitration proceedings, inVentiv has asserted counterclaims against us for (i) breach of contract, seeking at least $2 million in damages for services allegedly performed by inVentiv; (ii) breach of contract, seeking at least $1 million in damages for CEL-SCI 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 CEL-SCI 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.

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Should CEL-SCI’s allegations be found to be true, regulatory authorities may rule the data collected by that the former CRO unusable in support of our marketing applications. Even if CEL-SCI’s allegations are not found to be true, regulatory authorities may rule the data collected by that former CRO unusable in support of our marketing applications. In either case, CEL-SCI has proposed to enroll approximately 125 additional subjects in its Phase 3 study beyond the study design that was in place prior to FDA’s imposition of a partial clinical hold on the study, but those additional subjects can only be enrolled if the partial clinical hold is lifted. The need to enroll those additional patients will cause additional delays in our clinical testing and development program, and there is no guarantee that the partial clinical hold will be lifted, that if the partial clinical hold is lifted the study will be in a position that additional patients can be recruited and enrolled, or that CEL-SCI can successfully enroll the additional patients necessary to complete the study if the clinical hold is lifted. Currently, the Phase 3 study has been placed on partial clinical hold by FDA. 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; 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 CEL-SCI’s response submitted to FDA on November 18, 2016, CEL-SCI believes it addressed each of the deficiencies identified by FDA, requested a face-to-face meeting with FDA, and detailed its commitment to diligently work with FDA in an effort to have the partial clinical hold for the study lifted. On December 8, 2016, the FDA advised CEL-SCI that the agency was denying CEL-SCI's request for a meeting at this time because FDA's review of CEL-SCI's November 17, 2016 response was ongoing. CEL-SCI was also advised that it will be receiving a letter addressing CEL-SCI's response by December 18, 2016. If the partial clinical hold is not ever 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. In either of these latter circumstances, 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. If there is a need to conduct an additional Phase 3 pivotal study, any such requirement would have significant and severe material consequences for CEL-SCI and could impact its ability to continue as a going concern.

CEL-SCI could also encounter significant delays and/or need to terminate a development program for a product candidate if physicians encounter unresolved ethical issues associated with enrolling patients in clinical trials of the product candidates in addition to existing treatments that have established safety and efficacy profiles. Further, a clinical trial may be suspended or terminated by CEL-SCI, one or more of the IRBs for the institutions in which such trials are being conducted, by CEL-SCI upon a final recommendation by the Independent Data Monitoring Committee, or IDMC, with which CEL-SCI agrees for such trial, or by FDA or other regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or the clinical protocols, as a result of inspection of the clinical trial operations or trial site(s) by FDA or other regulatory authorities, the imposition of a clinical hold or partial clinical hold such as the partial clinical hold currently imposed by FDA on the Phase 3 study of our investigational drug Multikine as detailed elsewhere in this prospectus supplement, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a product candidate, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. The occurrence of any one or more of these events would have significant and severe material consequences for us and could impact our ability to continue as an ongoing concern.

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If CEL-SCI experiences termination of, or delays in the completion of, any clinical trial of its product candidates, the commercial prospects for the product candidates will be harmed, and the ability to generate product revenues will be delayed. In addition, any delays in completing the clinical trials will increase the costs, slow the product development and approval process and jeopardize the ability to commence product sales and generate revenues. Any of these occurrences may harm CEL-SCI's business, prospects, financial condition and results of operations significantly. Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to a delay or the denial of regulatory approval for the product candidates.

CEL-SCI cannot be certain when or under what conditions it will undertake future clinical trials. A variety of issues may delay the Phase 3 clinical trial for Multikine, such as patients in the Phase 3 clinical trial dying at a slower rate than projected and the existing partial clinical hold, or preclinical and early clinical trials for the other product candidates. For example, early trials, or the plans for later trials, may not satisfy the requirements of regulatory authorities, such as the FDA. CEL-SCI may fail to find subjects willing to enroll in the trials. CEL-SCI manufactures Multikine in its manufacturing facility, but relies on third-party vendors to manage the trial process and other activities, and these vendors may fail to meet appropriate standards. Accordingly, the clinical trials relating to the product candidates may not be completed on schedule, the FDA or foreign regulatory agencies may order CEL-SCI to stop or modify research, or these agencies may not ultimately approve any of the product candidates for commercial sale. Varying interpretations of the data obtained from pre-clinical and clinical testing could delay, limit or prevent regulatory approval of the product candidates. The data collected from the clinical trials may not be sufficient to support regulatory approval of the various product candidates, including Multikine. The failure to adequately demonstrate the safety and efficacy of any of the product candidates would delay or prevent regulatory approval of the product candidates in the United States, which could prevent CEL-SCI from achieving profitability. Although CEL-SCI had positive results in the Phase 2 trials for Multikine, those results were for a very small sample set, and CEL-SCI will not know how Multikine will perform in a larger set of subjects until CEL-SCI is well into, or completes, the Phase 3 clinical trial.

The development and testing of product candidates and the process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. FDA sanctions could include, among other actions, refusal to approve pending applications, withdrawal of an approval, a clinical hold, termination of the Phase 3 study, warning letters, product recalls or withdrawals from the market, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on CEL-SCI.

The requirements governing the conduct of clinical trials, manufacturing and marketing of the product candidates, including Multikine, outside the United States vary from country to country. Foreign approvals may take longer to obtain than FDA approvals and can require, among other things, additional testing and different trial designs. Foreign regulatory approval processes include all of the risks associated with the FDA approval process. Some of those agencies also must approve prices for products approved for marketing. Approval of a product by the FDA or the EMA does not ensure approval of the same product by the health authorities of other countries. In addition, changes in regulatory requirements for product approval in any country during the clinical trial process and regulatory agency review of each submitted new application may cause delays or rejections.

CEL-SCI has only limited experience in filing and pursuing applications necessary to gain regulatory approvals. The lack of experience may impede the ability to obtain timely approvals from regulatory agencies, if at all. CEL-SCI will not be able to commercialize Multikine and other product candidates until CEL-SCI has obtained regulatory approval. In addition, regulatory authorities may also limit the types of patients to which CEL-SCI or its third-party partners may market Multikine or the other product candidates. Any failure to obtain or any delay in obtaining required regulatory approvals may adversely affect CEL-SCI's or its third-party partners' ability to successfully market the product candidates.

Even if CEL-SCI obtains regulatory approval for its investigational products, CEL-SCI will be subject to stringent, ongoing government regulation.

If CEL-SCI's investigational products receive regulatory approval, either in the United States or internationally, those products will be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, and may contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance of the safety and efficacy of the investigational products. CEL-SCI will continue to be subject to extensive regulatory requirements. These regulations are wide-ranging and govern, among other things:

product design, development and manufacture;

product application and use

adverse drug experience;

product advertising and promotion;

product manufacturing, including good manufacturing practices

record keeping requirements;

registration and listing of the establishments and products with the FDA, EMA and other state and national agencies;

product storage and shipping;

drug sampling and distribution requirements;

electronic record and signature requirements; and

labeling changes or modifications.

CEL-SCI and any of its third-party manufacturers or suppliers must continually adhere to federal regulations setting forth requirements, known as current, Good Manufacturing Practices, or cGMPs, and their foreign equivalents, which are enforced by the FDA, the EMA and other national regulatory bodies through their facilities inspection programs. If the facilities, or the facilities of the contract manufacturers or suppliers, cannot pass a pre-approval plant inspection or fail such inspections in the future, the FDA, EMA or other national regulators will not approve the marketing applications for the product candidates, or may withdraw any prior approval. In complying with cGMP and foreign regulatory requirements, CEL-SCI and any of its potential third-party manufacturers or suppliers will be obligated to expend time, money and effort in production, record-keeping and quality control to ensure that the product candidates meet applicable specifications and other requirements.

If CEL-SCI does not comply with regulatory requirements at any stage, whether before or after marketing approval is obtained, CEL-SCI may be subject to, among other things, license suspension or revocation, criminal prosecution, seizure, injunction, fines, be forced to remove a product from the market or experience other adverse consequences, including restrictions or delays in obtaining regulatory marketing approval for such products or for other product candidates for which CEL-SCI seeks approval. This could materially harm CEL-SCI's financial results, reputation and stock price. Additionally, CEL-SCI may not be able to obtain the labeling claims necessary or desirable for product promotion. If CEL-SCI or other parties identify adverse effects after any of the products are on the market, or if manufacturing problems occur, regulatory approval may be suspended or withdrawn. CEL-SCI may be required to reformulate products, conduct additional clinical trials, make changes in product labeling or indications of use, or submit additional marketing applications to support any changes. If CEL-SCI encounters any of the foregoing problems, its business and results of operations will be harmed and the market price of its common stock may decline.

The FDA and other governmental authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of CEL-SCI's product candidates. If CEL-SCI is slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if CEL-SCI is not able to maintain regulatory compliance, CEL-SCI may lose any marketing approval that it may have obtained, which would adversely affect its business, prospects and ability to achieve or sustain profitability. CEL-SCI cannot predict the extent of adverse government regulations which might arise from future legislative or administrative action. Without government approval, CEL-SCI will be unable to sell any of its product candidates.

CEL-SCI's product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.

Undesirable side effects caused by the product candidates could cause CEL-SCI or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign authorities. Results of the clinical trials could reveal a high and unacceptable severity and/or prevalence of these or other side effects. In such an event, the trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order CEL-SCI to cease further development of, or deny approval of, the product candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm CEL-SCI's business, financial condition and prospects significantly.

Additionally, if one or more of the product candidates receives marketing approval, and CEL-SCI or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including:

regulatory authorities may withdraw approvals of such product;

regulatory authorities may require additional warnings on the label;

CEL-SCI may be required to create a medication guide outlining the risks of such side effects for distribution to patients;

CEL-SCI could be sued and held liable for harm caused to patients; and

CEL-SCI’s reputation may suffer.

Any of these events could prevent CEL-SCI from achieving or maintaining market acceptance of a particular product candidate, if approved, and could significantly harm its business, results of operations and prospects.

CEL-SCI relies on third parties to conduct its preclinical and clinical trials. If these third parties do not successfully carry out their contractual duties and meet regulatory requirements, or meet expected deadlines, CEL-SCI may not be able to obtain regulatory approval for or commercialize the product candidates and its business could be substantially harmed.

CEL-SCI has relied upon and plans to continue to rely upon third-party CROs to prepare for, conduct, monitor and manage data for its ongoing preclinical and clinical programs. CEL-SCI relies on these parties for all aspects of the execution of its preclinical studies and clinical trials, and although CEL-SCI diligently oversees and carefully manages the CROs, CEL-SCI directly controls only certain aspects of their activities and relies upon them to provide timely, complete, and accurate reports on the conduct of the studies. Although such third parties provide support and represent CEL-SCI for regulatory purposes in the context of the clinical trials, ultimately CEL-SCI is responsible for ensuring that each of the studies is conducted in accordance with the applicable protocol, legal, regulatory, and scientific standards, and the reliance on the CROs does not relieve CEL-SCI of its regulatory responsibilities. CEL-SCI and the CROs acting on CEL-SCI’s behalf as well as principal investigators and trial sites are required to comply with Good Clinical Practice, or GCP, and other applicable requirements, which are implemented through regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area, or EEA, and comparable foreign regulatory authorities for all of the products in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators, and trial sites. If CEL-SCI or any of the CROs fail to comply with applicable GCPs or other applicable regulations, the clinical data generated in the clinical trials may be determined to be unreliable and CEL-SCI may therefore need to enroll additional subjects in the clinical trials, or the FDA, EMA or comparable foreign regulatory authorities may require CEL-SCI to perform an additional clinical trial or trials before approving the marketing applications. Moreover, if CEL-SCI or any of the CROs, principal investigators, or trial sites, fail to comply with applicable regulatory and GCP requirements, then CEL-SCI, the CROs, principal investigators, or trial sites may be subject to enforcement actions, such as fines, warning letters, untitled letters, clinical holds, civil or criminal penalties, and/or injunctions. CEL-SCI cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of the clinical trials comply with GCP regulations. In addition, the clinical trials must be conducted with product produced under GMP regulations. The failure to comply with these regulations may require CEL-SCI to delay or repeat clinical trials, which would delay the regulatory approval process.

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For example, CEL-SCI is currently involved in a dispute with the former CRO relating to the conduct of the Phase 3 study where CEL-SCI alleges (i) breach of contract, (ii) fraud in the inducement and (iii) fraud. In connection with this dispute, CEL-SCI has alleged that the CRO failed to properly select, monitor and supervise the study sites and principal investigators, ensure proper enrollment of subjects, and ensure strict compliance with the Phase 3 trial protocol and GCP and other applicable regulatory requirements. Should CEL-SCI’s allegations be found to be true regulatory authorities may rule the data collected by that former CRO unusable in support of the marketing applications. This would result in CEL-SCI having to enroll approximately 125 additional subjects in the Phase 3 study beyond its current plans, which could cause additional delays in the clinical testing and development program. Currently the Phase 3 study is on partial clinical hold.

If any of the relationships with the third-party CROs terminate, CEL-SCI may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, the CROs are not CEL-SCI’s employees, and except for remedies available to CEL-SCI under the agreements with such CROs, CEL-SCI cannot control whether or not they devote sufficient time and resources to the on-going clinical, nonclinical and preclinical programs. If CROs do not successfully fulfill their regulatory obligations, carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to the clinical protocols, regulatory requirements or for other reasons, the clinical trials may be extended, delayed or terminated, and CEL-SCI may not be able to obtain regulatory approval for or successfully commercialize the product candidates. As a result, CEL-SCI’s results of operations and the commercial prospects for the product candidates would be harmed, the costs could increase and the ability to generate revenues could be delayed.

Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays may occur, which can materially impact CEL-SCI’s ability to meet the desired clinical development timelines. Though CEL-SCI diligently oversees and carefully manages its relationships with the CROs, there can be no assurance that CEL-SCI will not encounter similar challenges or delays in clinical development in the future or that these delays or challenges will not have a material adverse impact on CEL-SCI’s business, financial condition and prospects.

CEL-SCI has obtained orphan drug designation from the FDA for Multikine for neoadjuvant, or primary, therapy in patients with squamous cell carcinoma of the head and neck, but CEL-SCI may be unable to maintain the benefits associated with orphan drug designation, including the potential for market exclusivity.

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic intended to treat a rare disease or condition, which is defined as one occurring in a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug or biologic will be recovered from sales in the United States. In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including a full Biologics License Application, or BLA, to market the same biologic for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity or where the manufacturer is unable to assure sufficient product quantity.

Even though CEL-SCI has received orphan drug designation for Multikine for the treatment of squamous cell carcinoma of the head and neck, CEL-SCI may not be the first to obtain marketing approval of a product for the orphan-designated indication due to the uncertainties associated with developing pharmaceutical products. In addition, exclusive marketing rights in the United States may be limited if CEL-SCI seeks approval for an indication broader than the orphan-designated indication, or may be lost if the FDA later determines that the request for designation was materially defective or if CEL-SCI is unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition. Further, even if CEL-SCI obtains orphan drug exclusivity for a product candidate, that exclusivity may not effectively protect the product candidate from competition because different drugs with different active moieties can be approved for the same condition. Even after an orphan product is approved, the FDA can subsequently approve another drug with the same active moiety for the same condition if the FDA concludes that the later drug is safer, more effective, or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process.

The current and future relationships with healthcare professionals, principal investigators, consultants, customers (actual and potential) and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable healthcare laws and regulations.

Healthcare providers, physicians and third-party payors in the United States and elsewhere will play a primary role in the recommendation and prescription of any drug candidates for which CEL-SCI obtains marketing approval. The current and future arrangements with healthcare professionals, principal investigators, consultants, customers (actual and potential) and third-party payors may expose CEL-SCI to broadly applicable healthcare laws, including, without limitation:

the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, under federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation. In addition, the Affordable Care Act provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;

federal civil and criminal false claims laws, including the federal False Claims Act, which impose criminal and civil penalties, including civil whistleblower actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;

the civil monetary penalties statute, which imposes penalties against any person or entity who, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent;

the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private), knowingly and willfully embezzling or stealing from a health care benefit program, willfully obstructing a criminal investigation of a healthcare offense and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose obligations on covered entities, including healthcare providers, health plans, and healthcare clearinghouses, as well as their respective business associates that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

the federal Physician Payments Sunshine Act and its implementing regulations, which imposed annual reporting requirements for certain manufacturers of drugs, devices, biologicals and medical supplies for payments and "transfers of value" provided to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and

analogous state and foreign laws, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

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Efforts to ensure that the future business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that the business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws. If CEL-SCI's operations are found to be in violation of any of these laws or any other governmental regulations, CEL-SCI may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of the operations, all of which could significantly harm CEL-SCI's business. If any of the physicians or other healthcare providers or entities with whom CEL-SCI expects to do business, including current and future collaborators, are found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from participation in government healthcare programs, which could also adversely affect CEL-SCI's business.

Failure to obtain or maintain adequate coverage and reimbursement for the product candidates, if approved, could limit the ability to market those products and decrease CEL-SCI's ability to generate revenue.

Sales of CEL-SCI's product candidates will depend substantially, both domestically and abroad, on the extent to which the costs of the product candidates will be paid by health maintenance, managed care, pharmacy benefit, and similar healthcare management organizations, or reimbursed by government authorities, private health insurers and other third-party payors. CEL-SCI anticipates that government authorities and other third-party payors will continue efforts to contain healthcare costs by limiting the coverage and reimbursement levels for new drugs. If coverage and reimbursement are not available, or are available only to limited levels, CEL-SCI may not be able to successfully commercialize its product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow CEL-SCI to establish or maintain pricing sufficient to realize a return on its investment. It is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for the product candidates.

Healthcare legislative reform measures may have a material adverse effect on CEL-SCI’s business and results of operations.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs that may result in more limited coverage or downward pressure on the price CEL-SCI may otherwise receive for its product candidates. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act, was passed, which substantially changes the way health care is financed by both governmental and private insurers, and significantly impacts the U.S. pharmaceutical industry. The Affordable Care Act, among other things, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to individuals enrolled in Medicaid managed care organizations, established annual fees and taxes on manufacturers of certain branded prescription drugs, and established the Center for Medicare and Medicaid Innovation with broad authority to test and implement new payment models under Medicare and Medicaid, which are designed to reduce expenditures while preserving and enhancing quality of care.

In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2% per fiscal year, which went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2024 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers. On April 16, 2015, President Obama signed into law the Medicare Access and CHIP Reauthorization Act of 2015, or MACRA. Among other things, MACRA creates incentives for physicians to participate in alternative payment models under Medicare that emphasize quality and value in place of the traditional, volume-based fee-for-service program. CEL-SCI expects that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for its product candidates or additional pricing pressures.

Foreign governments often impose strict price controls, which may adversely affect CEL-SCI’s future profitability.

CEL-SCI intends to seek approval to market Multikine in both the United States and foreign jurisdictions. If CEL-SCI obtains approval in one or more foreign jurisdictions, CEL-SCI will be subject to rules and regulations in those jurisdictions relating to Multikine. In some foreign countries, particularly in the European Union, prescription drug pricing is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a drug candidate. Coverage and reimbursement decisions in one foreign jurisdiction may impact decisions in other countries. To obtain reimbursement or pricing approval in some countries, CEL-SCI may be required to conduct clinical trials that demonstrate the product candidate is more effective than current treatments and that compare the cost-effectiveness of Multikine to other available therapies. If reimbursement of Multikine is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, CEL-SCI may be unable to achieve or sustain profitability.

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Risks Related to Intellectual Property

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

CEL-SCI is involved in a biomedical field that is undergoing rapid and significant technological change. The pace of change continues to accelerate. The successful development of product candidates from the compounds, compositions and processes, through research financed by CEL-SCI, or as a result of possible third-party licensing arrangements with pharmaceutical or other companies, is not assured. CEL-SCI may fail to apply for patents on important technologies or product candidates in a timely fashion, or at all.

Many companies are working on drugs designed to cure or treat cancer or cure and treat viruses, such as HPV or H1N1. Many of these companies have financial, research and development, and marketing resources, which are much greater than CEL-SCI's, and are capable of providing significant long-term competition either by establishing in-house research groups or by forming collaborative ventures with other entities. In addition, smaller companies and non-profit institutions are active in research relating to cancer and infectious diseases. The future market share of Multikine or the other product candidates, if approved, will be reduced or eliminated if the competitors develop and obtain approval for products that are safer or more effective than CEL-SCI'S product candidates. Moreover, the patent positions of pharmaceutical companies are highly uncertain and involve complex legal and factual questions for which important legal principles are often evolving and remain unresolved. As a result, the validity and enforceability of patents cannot be predicted with certainty. In addition, CEL-SCI does not know whether:

CEL-SCI was the first to make the inventions covered by each of its issued patents and pending patent applications;

CEL-SCI was the first to file patent applications for these inventions;

others will independently develop similar or alternative technologies or duplicate any of the technologies;

any of the pending patent applications will result in issued patents;

any of the patents will be valid or enforceable;

any patents issued to CEL-SCI or the collaboration partners will provide CEL-SCI with any competitive advantages, or will be challenged by third parties;

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CEL-SCI will be able to develop additional proprietary technologies that are patentable;

the U.S. government will exercise any of its statutory rights to CEL-SCI's intellectual property that was developed with government funding; or

its business may infringe the patents or other proprietary rights of others.

CEL-SCI's patents might not protect its technology from competitors, in which case CEL-SCI may not have any advantage over competitors in selling any products that CEL-SCI may develop.

CEL-SCI's commercial success will depend in part on its ability to obtain additional patents and protect its existing patent position, as well as its ability to maintain adequate intellectual property protection for the technologies, product candidates, and any future products in the United States and other countries. If CEL-SCI does not adequately protect its technology, product candidates and future products, competitors may be able to use or practice them and erode or negate any competitive advantage CEL-SCI may have, which could harm CEL-SCI's business and ability to achieve profitability. The laws of some foreign countries do not protect the proprietary rights to the same extent or in the same manner as U.S. laws, and CEL-SCI may encounter significant problems in protecting and defending its proprietary rights in these countries. CEL-SCI will be able to protect its proprietary rights from unauthorized use by third parties only to the extent that its proprietary technologies, product candidates and any future products are covered by valid and enforceable patents or are effectively maintained as trade secrets.

Certain aspects of CEL-SCI's technologies are covered by U.S. and foreign patents. In addition, CEL-SCI has a number of new patent applications pending. There is no assurance that the applications still pending or which may be filed in the future will result in the issuance of any patents. Furthermore, there is no assurance as to the breadth and degree of protection any issued patents might afford CEL-SCI. Disputes may arise between CEL-SCI and others as to the scope and validity of these or other patents. Any defense of the patents could prove costly and time consuming and there can be no assurance that CEL-SCI will be in a position, or will deem it advisable, to carry on such a defense. A suit for patent infringement could result in increasing costs, delaying or halting development, or even forcing CEL-SCI to abandon a product candidate. Other private and public concerns, including universities, may have filed applications for, may have been issued, or may obtain additional patents and other proprietary rights to technology potentially useful or necessary to CEL-SCI. CEL-SCI is not currently aware of any such patents, but the scope and validity of such patents, if any, and the cost and availability of such rights are impossible to predict.

Much of CEL-SCI's intellectual property is protected as trade secrets or confidential know-how, not as a patent.

CEL-SCI considers proprietary trade secrets and/or confidential know-how and unpatented know-how to be important to its business. Much of the intellectual property pertains to CEL-SCI'S manufacturing system, certain aspects of which may not be suitable for patent filings and must be protected as trade secrets and/or confidential know-how. This type of information must be protected diligently by CEL-SCI to protect its disclosure to competitors, since legal protections after disclosure may be minimal or non-existent. Accordingly, much of the value of this intellectual property is dependent upon the ability of CEL-SCI to keep the trade secrets and know-how confidential.

To protect this type of information against disclosure or appropriation by competitors, CEL-SCI's policy is to require its employees, consultants, contractors and advisors to enter into confidentiality agreements with CEL-SCI. However, current or former employees, consultants, contractors and advisers may unintentionally or willfully disclose the confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party obtained illegally, and is using, trade secrets and/or confidential know-how is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction.

In addition, in some cases a regulator considering the application for product candidate approval may require the disclosure of some or all of the proprietary information. In such a case, CEL-SCI must decide whether to disclose the information or forego approval in a particular country. If CEL-SCI is unable to market its product candidates in key countries, CEL-SCI's opportunities and value may suffer.

Failure to obtain or maintain trade secrets and/or confidential know-how trade protection could adversely affect CEL-SCI'S competitive position. Moreover, competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, competitors could limit the use of such trade secrets and/or confidential know-how.

CEL-SCI may be subject to claims challenging the inventorship or ownership of its patents and other intellectual property.

CEL-SCI may also be subject to claims that former employees, collaborators or other third parties have an ownership interest in its patents or other intellectual property. CEL-SCI may be subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing the product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. If CEL-SCI fails in defending any such claims, in addition to paying monetary damages, CEL-SCI may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on its business. Even if CEL-SCI is successful in defending against such claims, litigation could result in substantial costs and be a distraction to CEL-SCI's management and employees.

Risks Related to CEL-SCI's common stock

You may experience future dilution as a result of future equity offerings or other equity issuances.

CEL-SCI expects that significant additional capital will be needed in the future to continue its planned operations. To raise additional capital, CEL-SCI may in the future offer additional shares of its common stock or other securities convertible into or exchangeable for the common stock. To the extent CEL-SCI raises additional capital by issuing equity securities, the stockholders may experience substantial dilution. These sales may result in material dilution to CEL-SCI's existing stockholders and new investors could gain rights superior to existing stockholders.

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CEL-SCI’s outstanding options and warrants may adversely affect the trading price of its common stock.

As of September 30, 2016, there were outstanding warrants and options which allow the holders to purchase 3,442,383 shares that may be issued upon the exercise of outstanding warrants, with a weighted average exercise price of $24.25 per share, and 343,571 shares that may be issued upon the exercise of outstanding options, with a weighted average exercise price of $59.25 per share. The outstanding options and warrants could adversely affect the ability of CEL-SCI to obtain future financing or engage in certain mergers or other transactions, since the holders of options and warrants can be expected to exercise them at a time when CEL-SCI may be able to obtain additional capital through a new offering of securities on terms more favorable to CEL-SCI than the terms of the outstanding options and warrants. For the life of the options and warrants, the holders have the opportunity to profit from a rise in the market price of its common stock without assuming the risk of ownership. The issuance of shares upon the exercise of outstanding options and warrants will also dilute the ownership interests of CEL-SCI’s existing stockholders.

CEL-SCI’s ability to utilize its net operating loss carryforwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change” (generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period), the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. Taking into account the public offerings and other transactions, CEL-SCI may have triggered an “ownership change” limitation. In addition, CEL-SCI may experience ownership changes in the future as a result of subsequent shifts in its stock ownership, some of which are outside its control. As a result, the ability to use the pre-change net operating loss carryforwards and other pre-change tax attributes to offset U.S. federal taxable income may be subject to limitations, which could result in increased tax liability to CEL-SCI.

Since CEL-SCI does not intend to pay dividends on its common stock, any potential return to investors will result only from any increases in the price of its common stock.

At the present time, CEL-SCI intends to use available funds to finance its operations. Accordingly, while payment of dividends rests within the discretion of its board of directors, no common stock dividends have been declared or paid by CEL-SCI and it has no intention of paying any common stock dividends in the foreseeable future. Additionally, any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on CEL-SCI’s common stock. Any return to CEL-SCI’s shareholders will therefore be limited to appreciation in the price of its common stock, which may never occur. If CEL-SCI’s stock price does not increase, CEL-SCI’S shareholders are unlikely to receive any return on their investments in CEL-SCI’s common stock.

The price of CEL-SCI's common stock has been volatile and is likely to continue to be volatile, which could result in substantial losses for CEL-SCI's shareholders.

CEL-SCI's stock price has been, and is likely to continue to be, volatile. As a result of this volatility, CEL-SCI's shareholders may not be able to sell their shares at or above its current market price. The market price for CEL-SCI's common stock may be influenced by many factors, including:

actual or anticipated fluctuations in CEL-SCI's financial condition and operating results;

actual or anticipated changes in CEL-SCI's growth rate relative to competitors;

competition from existing products or new products or product candidates that may emerge;

development of new technologies that may address the markets and may make CEL-SCI's technology less attractive;

changes in physician, hospital or healthcare provider practices that may make CEL-SCI's product candidates less useful;

announcements by CEL-SCI, its partners or competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;

developments or disputes concerning patent applications, issued patents or other proprietary rights;

the recruitment or departure of key personnel;

failure to meet or exceed financial estimates and projections of the investment community or that CEL-SCI provides to the public;

actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;

variations in its financial results or those of companies that are perceived to be similar to CEL-SCI;

changes to coverage and reimbursement levels by commercial third-party payors and government payors, including Medicare, and any announcements relating to reimbursement levels;

general economic, industry and market conditions; and

the other factors described in this "Risk Factors" section.

CEL-SCI has been advised that it is not in compliance with certain continued listing standards of the NYSE MKT.

On December 9, 2016, CEL-SCI received a letter from the NYSE MKT, its current listing exchange, which advised CEL-SCI that, based upon its June 30, 2016 10-Q report, CEL-SCI was noncompliant with certain continued listing standards of the NYSE MKT. CEL-SCI can maintain its listing by submitting a plan of compliance by January 9, 2017. This plan must advise of actions CEL-SCI has taken or will take to regain compliance with the continued listing standards by June 11, 2018. CEL-SCI intends to submit such a plan by January 9, 2017. If the plan is not acceptable, or CEL-SCI does not make sufficient progress under the plan to reestablish compliance by June 11, 2018, the staff of the exchange may initiate proceedings to delist CEL-SCI's securities from the NYSE MKT. CEL-SCI may appeal a delisting determination in accordance with the rules of the exchange.

In addition, the NYSE MKT will not normally remove the securities of an issuer which is otherwise below the stockholders' equity criteria noted above if the issuer has a market capitalization of at least $50 million.

The letter from the NYSE MKT has no current effect on the listing of CEL-SCI's securities on the exchange.

Under its amended bylaws, stockholders that initiate certain proceedings may be obligated to reimburse CEL-SCI and its officers and directors for all fees, costs and expenses incurred in connection with such proceedings if the claim proves unsuccessful.

On February 18, 2015, CEL-SCI adopted new bylaws which include a fee-shifting provision in Article X for stockholder claims. Article X provides that in the event any stockholder initiates or asserts a claim against CEL-SCI, or any of its officers or directors, including any derivative claim or claim purportedly filed on CEL-SCI's behalf, and the stockholder does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought, then the stockholder will be obligated to reimburse CEL-SCI and any of its officers or directors named in the action, for all fees, costs and expenses of every kind and description that CEL-SCI or its officers or directors may incur in connection with the claim. In adopting Article X, it is the intent that:

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all actions, including federal securities law claims, would be subject to Article X;

the phrase “a judgment on the merits” means the determination by a court of competent jurisdiction on the matters submitted to the court;

the phrase “substantially achieves, in both substance and amount” means the plaintiffs in the action would be awarded at least 90% of the relief sought;

only persons who were stockholders at the time an action was brought would be subject to Article X; and

only the directors or officers named in the action would be allowed to recover.

The fee-shifting provision contained in Article X of the bylaws is not limited to specific types of actions, but is rather potentially applicable to the fullest extent permitted by law. Fee-shifting bylaws are relatively new and untested. The case law and potential legislative action on fee-shifting bylaws are evolving and there exists considerable uncertainty regarding the validity of, and potential judicial and legislative responses to, such bylaws. For example, it is unclear whether the ability to invoke the fee-shifting bylaw in connection with claims under the federal securities laws would be pre-empted by federal law. Similarly, it is unclear how courts might apply the standard that a claiming stockholder must obtain a judgment that substantially achieves, in substance and amount, the full remedy sought. The application of the fee-shifting bylaw in connection with such claims, if any, will depend in part on future developments of the law. CEL-SCI cannot assure its shareholders that CEL-SCI will or will not invoke the fee-shifting bylaw in any particular dispute. In addition, given the unsettled state of the law related to fee-shifting bylaws, such as CEL-SCI’s, CEL-SCI may incur significant additional costs associated with resolving disputes with respect to such bylaw, which could adversely affect its business and financial condition.

If a stockholder that brings any such claim, suit, action or proceeding is unable to obtain the required judgment, the attorneys’ fees and other litigation expenses that might be shifted to a claiming stockholder are potentially significant. This fee-shifting bylaw, therefore, may dissuade or discourage stockholders (and their attorneys) from initiating lawsuits or claims against CEL-SCI or its directors and officers. In addition, it may impact the fees, contingency or otherwise, required by potential plaintiffs’ attorneys to represent the stockholders or otherwise discourage plaintiffs’ attorneys from representing the stockholders at all. As a result, this bylaw may limit the ability of stockholders to affect the management and direction of CEL-SCI, particularly through litigation or the threat of litigation.

The provision of the amended bylaws requiring exclusive venue in the U.S. District Court for Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against CEL-SCI and its directors and officers.

Article X of CEL-SCI’s amended bylaws provides that stockholder claims brought against CEL-SCI, or its officers or directors, including any derivative claim or claim purportedly filed on CEL-SCI’s behalf, must be brought in the U.S. District Court for the district of Delaware and that with respect to any such claim, the laws of Delaware will apply.

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The exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum the stockholder finds favorable for disputes with CEL-SCI or its directors or officers, and may have the effect of discouraging lawsuits with respect to claims that may benefit CEL-SCI or the stockholders.

ITEM 1B. UNRESOLVED SEC COMMENTS

None

ITEM 2. PROPERTIES

CEL-SCI leases office space at 8229 Boone Blvd., Suite 802, Vienna, Virginia at a monthly rental of approximately $8,000. The lease on the office space expires on June 30, 2020. CEL-SCI believes this arrangement is adequate for the conduct of its present business.

CEL-SCI has a 17,900 square foot laboratory located in Baltimore, Maryland. The laboratory is leased by CEL-SCI at a cost of approximately $11,000 per month. The laboratory lease expires on February 28, 2022.

In August 2007, CEL-SCI leased a building near Baltimore, Maryland (the San Tomas lease). The building, which consists of approximately 73,000 square feet, has been remodeled in accordance with CEL-SCI's specifications so that it can be used by CEL-SCI to manufacture Multikine for CEL-SCI's Phase 3 clinical trial and sales of the drug if approved by the FDA. The lease expires on October 31, 2028 and required annual base rent payments of approximately $1.6 million during the twelve months ending September 30, 2016. The annual base rent escalates each year at 3% beginning on November 1st. CEL-SCI is also required to pay all real and personal property taxes, insurance premiums, maintenance expenses, repair costs and utilities, which were approximately $42,000 per month as of September 30, 2016. The lease allows CEL-SCI, 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 is not the legal owner of the manufacturing building, but is deemed to be the owner for the accounting purposes based on the accounting guidance for build-to-suit leases under ASC 840-40-55. The lease required CEL-SCI to pay $3,150,000 towards the remodeling costs, which is being recouped by reductions in the annual base rent of $303,228 beginning in fiscal year 2014. In August 2011, CEL-SCI was required to deposit $1,670,917, the equivalent of one year of base rent. The $1,670,917 was required to be deposited when the amount of CEL-SCI's cash had dropped below the amount stipulated in the lease and is included in non-current assets at September 30, 2016.

ITEM 3. LEGAL PROCEEDINGS

CEL-SCI 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). CEL-SCI initiated the proceedings against inVentiv Health Clinical LLC, or inVentiv, CEL-SCI's former third-party CRO, and is 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, CEL-SCI seeks at least $50 million in damages in its amended statement of claim.

In an amended statement of claim, CEL-SCI 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 CEL-SCI 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 CEL-SCI's 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 CEL-SCI 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. CEL-SCI believes inVentiv's counterclaims are meritless. However, if inVentiv successfully asserts any of its counterclaims, such an adverse determination could have a material adverse effect on CEL-SCI's business, results, financial condition and liquidity.

In October 2015, CEL-SCI 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 CEL-SCI with funding for litigation expenses to support its arbitration claims against inVentiv. The funding is available to CEL-SCI to fund the expenses of the ongoing arbitration and will only be repaid when CEL-SCI receives proceeds from the arbitration.

The arbitration hearing on the merits (the "trial") began on September 26, 2016.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. MARKET FOR CEL-SCI'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

As of September 30, 2016 there were approximately 1,000 record holders of CEL-SCI's common stock. CEL-SCI's common stock is traded on the NYSE American under the symbol "CVM".

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Shown below are the range of high and low quotations for CEL-SCI's common stock for the periods indicated as reported on the NYSE American. The market quotations have been adjusted for a 1 for 25 reverse stock split which became effective on the NYSE American on June 15, 2017 reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

Quarter Ending	High	Low
12/31/14	$ 22.75	$ 13.50
3/31/15	$ 30.75	$ 14.75
6/30/15	$ 27.25	$ 14.75
9/30/15	$ 20.00	$ 12.00
12/31/15	$ 18.75	$ 9.00
3/31/16	$ 16.50	$ 9.00
6/30/16	$ 15.00	$ 11.00
9/30/16	$ 13.50	$ 6.00

Holders of common stock are entitled to receive dividends as may be declared by CEL-SCI's Board of Directors out of legally available funds and, in the event of liquidation, to share pro rata in any distribution of CEL-SCI's assets after payment of liabilities. CEL-SCI's Board of Directors is not obligated to declare a dividend. CEL-SCI has not paid any dividends on its common stock and CEL-SCI does not have any current plans to pay any common stock dividends.

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

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

The graph below matches the cumulative 5-year total return of holders of CEL-SCI's common stock with the cumulative total returns of the NYSE MTK Composite index and the RDG MicroCap Biotechnology index. The

graph assumes that the value of an investment in CEL-SCI's common stock and in each of the indexes (including reinvestment of dividends) was $100 on September 30, 2011 and tracks it through September 30, 2016.
The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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	9/11	9/12	9/13	9/14	9/15	9/16
CEL-SCI Corporation	100.00	94.52	46.58	24.98	16.44	8.36
NYSE MKT Composite	100.00	123.99	127.59	148.86	129.94	145.53
RDG MicroCap Biotechnology	100.00	166.25	182.33	136.22	97.34	52.30

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ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated financial data:

reflect a 1 for 25 reverse stock split which became effective on the NYSE American on June 15, 2017,

reflect the restatement to the Company's financial statements as further explained in Note 17, in the financial statements enclosed herein, and

are qualified by reference to, and should be read in conjunction with the consolidated financial statements and the related notes thereto, appearing elsewhere in this report, as well as Item 7 of this report.

Statements of Operations	(Restated) 2016	2015	2014	2013	2012
Grant revenue and other	$ 285,055	$ 657,377	$ 264,033	$ 159,583	$ 254,610
Operating expenses:					
Research and development	17,445,382	19,191,750	15,266,189	11,027,724	8,908,007
General and administrative	6,486,501	13,855,775	10,665,558	7,093,738	6,683,045
Gain on derivative instruments	14,013,726	282,616	248,767	10,750,666	1,911,683
Loss on debt extinguishment	-	(620,457)	-	-	-
Interest income (expense), net	(1,879,390)	(1,964,221)	(1,933,732)	(1,932,272)	(2,017,719)
Net loss	(11,512,492)	(34,692,210)	(27,352,679)	(9,143,485)	(15,442,478)
Issuance of additional shares due to reset provision			(1,117,447)	-	(250,000)
Modification of warrants				(59,531)	(325,620)
Inducement warrants	-	-	-	-	(1,593,000)
Net loss available to common shareholders	$ (11,512,492)	$ (34,692,210)	$ (28,470,126)	$ (9,203,016)	$ (17,611,098)
Net loss per common share					
Basic	$ (2.37)	$ (10.51)	$ (12.10)	$ (7.60)	$ (17.48)
Diluted	$ (2.37)	$ (10.51)	$ (12.21)	$ (16.47)	$ (19.38)
Weighted average common shares outstanding					
Basic and diluted	4,866,204	3,300,761	2,352,185	1,211,178	1,007,346

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Balance Sheets	2016	2015	2014	2013	2012
Working capital (deficit)	$ 1,446,053	$ 1,639,920	$ 7,952,002	$ (1,632,087)	$ 4,877,670
Total assets	$ 24,886,125	$ 28,553,702	$ 32,104,603	$ 23,457,326	$ 28,655,921
Derivative instruments (a)	$ 8,394,934	$ 13,686,587	$ 5,505,246	$ 433,024	$ 6,983,690
Total liabilities	$ 25,565,338	$ 33,315,972	$ 21,320,790	$ 16,430,409	$ 21,329,124
Stockholders' (deficit) equity	$ (679,213)	$ (4,762,270)	$ 10,783,813	$ 7,026,917	$ 7,326,797

(a)
Included in total liabilities.

CEL-SCI's net loss available to common shareholders for each fiscal quarter during the two years ended September 30, 2016 were:

		Net income (loss) per share	
Quarter- (Restated)	Net income (loss)	Basic	Diluted
12/31/15	$2,332,734	$0.53	$0.53
3/31/16	$(8,855,530)	$(1.87)	$(1.87)
6/30/16	$(3,861,606)	$(0.78)	$(0.78)
9/30/16	$(1,128,090)	$(0.21)	$(0.21)
12/31/14	$(7,846,983)	$(2.68)	$(3.42)
3/31/2015	$(12,559,695)	$(4.14)	$(4.14)
6/30/2015	$(4,413,593)	$(1.32)	$(1.62)
9/30/2015	$(9,871,939)	$(2.54)	$(2.54)

Variances in quarterly gains and losses for the quarters presented are caused by the changes in the fair value of outstanding warrants accounted for as derivatives each quarter. These changes in the fair value of the warrants are recorded on the statements of operations.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and the related notes thereto appearing elsewhere in this report.

CEL-SCI's lead investigational therapy, Multikine, is cleared for a Phase 3 clinical trial in advanced primary head and neck cancer. It has received a go-ahead by the U.S. FDA as well as twenty-three other countries.

On September 26, 2016, CEL-SCI received verbal notice from the FDA that the Phase 3 clinical trial in advanced primary head and neck cancer has been placed on clinical hold. Pursuant to this communication from FDA, patients currently receiving study treatments can continue to receive treatment, and patients already enrolled in the study will continue to be followed.

On October 21, 2016, CEL-SCI issued a press release stating the following: "following up on our press release issued on September 26, 2016, we have received the Partial Clinical Hold letter from the U.S. Food and Drug Administration (FDA). On November 21, 2016, CEL-SCI announced that it had submitted a response to FDA's Partial Clinical Hold letter referenced above.

CEL-SCI also owns and is developing a pre-clinical technology called LEAPS.

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

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

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 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.

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 years ended September 30, 2016, 2015, and 2014. For additional information and a detailed discussion of the restatement, see Note 17 of the financial statements included in this Report.

Results of Operations

Fiscal 2016

During the year ended September 30, 2016, grant and other income decreased by approximately $372,000 compared to the year ended September 30, 2015. The decrease is primarily due to the timing of drug shipments to supply the Company’s partner in Taiwan and the grant income earned by the Company’s Small Business Innovation Research (SBIR) grant during fiscal year 2016 compared to fiscal year 2015.

During the year ended September 30, 2016, research and development expenses decreased by approximately $1.7 million compared to the year ended September 30, 2015. 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.

During the year ended September 30, 2016, general and administrative expenses decreased by approximately $7.4 million, compared to the year ended September 30, 2015. Major components of the decrease are 1) Lake Whillans Litigation Finance took over payment of legal fees which were about $4.4 million in fiscal year 2015 in the arbitrations against the former CRO that used to run the Company's Phase 3 trial, 2) a $2.8 million decrease in share-based employee compensation costs, which relates to the timing vesting for the incentive stock bonus plan and 3) other miscellaneous decreases netting to approximately $200,000.

During the years ended September 30, 2016 and 2015, CEL-SCI recorded a derivative gain of approximately $14.0 million and $283,000, respectively. This variation was the result of the change in fair value of the derivative liabilities during the period which was caused by fluctuations in the share price of CEL-SCI’s common stock.

Net interest income (expense) decreased approximately $85,000 during the year ended September 30, 2016 compared to the year ended September 30, 2015, primarily due to an approximate $124,000 reduction in interest expense on the related party loan, which was paid off in January 2016, offset by an approximate $35,000 increase in interest expense on the lease liability.

Fiscal 2015

During the year ended September 30, 2015, grant and other income increased by approximately $393,000 compared to the year ended September 30, 2014. The increase is primarily due to the timing of drug shipments to supply the Company’s partner in Taiwan and the grant income earned by the Company’s Small Business Innovation Research (SBIR) grant during fiscal year 2015 compared to fiscal year 2014.

During the year ended September 30, 2015, research and development expenses increased by approximately $3.9 million compared to the year ended September 30, 2014. CEL-SCI is continuing the Phase 3 clinical trial and research and development fluctuates based on the activity level of the clinical trial. In fiscal year 2015, CEL-SCI received clearance from seven new countries for the Phase 3 clinical trial, and enrolled 305 patients in fiscal year 2015 vs 142 in fiscal year 2014.

During the year ended September 30, 2015, general and administrative expenses increased by approximately $3.2 million, compared to the year ended September 30, 2014. This increase is primarily due to an increase of approximately $2.0 million of equity based compensation costs for restricted stock granted, increased legal fees of approximately $1.8 million relating to arbitration with the Company’s former CRO, as discussed in Item 3 above, and an increase of approximately $220,000 in fees for professional services. These increases were offset by a decrease of approximately $788,000 in employee compensation, primarily due to a decrease in the number of stock options issued and vested in 2015 compared to 2014.

During the years ended September 30, 2015 and 2014, CEL-SCI recorded a derivative gain of approximately $283,000 and $249,000, respectively. This variation was the result of the change in fair value of the derivative liabilities during the period which resulted from relative consistencies in the share price of CEL-SCI’s common stock.

Interest expense increased by approximately $30,000 during the year ended September 30, 2015 compared to the year ended September 30, 2014, and consisted primarily of approximately $37,000 in increased interest expense on the lease liability, offset by a reduction of the interest on the loan from CEL-SCI's former president. Effective July 7, 2015, the interest rate on the related party loan was reduced from 15% to 9%. Additionally, the modifications of the loan from de Clara Trust were determined to be substantive, resulting in an extinguishment loss of approximately $620,000 during 2015.

Research and Development Expenses

During the five years ended September 30, 2016, CEL-SCI's research and development efforts involved Multikine and LEAPS. The table below shows the research and development expenses associated with each project during this five-year period.

(Restated)					
	2016	2015	2014	2013	2012
MULTIKINE	$ 17,054,474	$ 18,697,940	$ 14,891,411	$ 10,650,239	$ 8,516,929
LEAPS	390,908	493,810	374,778	377,485	391,078
TOTAL	$ 17,445,382	$ 19,191,750	$ 15,266,189	$ 11,027,724	$ 8,908,007

In January 2007, CEL-SCI received a "no objection" letter from the FDA indicating that it could proceed with Phase 3 trials with Multikine in head and neck cancer patients. CEL-SCI had previously received a "no objection" letter from the Canadian Biologics and Genetic Therapies Directorate which enabled CEL-SCI to begin its Phase 3 clinical trial in Canada. Subsequently, CEL-SCI received similar authorizations from twenty-three other regulators.

CEL-SCI's Phase 3 clinical trial began in December 2010 after the completion and validation of CEL-SCI's dedicated manufacturing facility.

As explained in Item 1 of this report, as of November 30, 2016, CEL-SCI was involved in pre-clinical studies with respect to its LEAPS technology. As with Multikine, CEL-SCI does not know what obstacles it will encounter in future pre-clinical and clinical studies involving its LEAPS technology. Consequently, CEL-SCI cannot predict with any certainty the funds required for future research and clinical trials and the timing of future research and development projects.

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 CEL-SCI's clinical trials and research programs are primarily based upon the amount of capital available to CEL-SCI and the extent to which CEL-SCI has received regulatory approvals for clinical trials. The inability of CEL-SCI to conduct clinical trials or research, whether due to a lack of capital or regulatory approval, will prevent CEL-SCI from completing the studies and research required to obtain regulatory approval for any products which CEL-SCI is developing. Without regulatory approval, CEL-SCI will be unable to sell any of its products.

On September 26, 2016, CEL-SCI received verbal notice from the FDA that the Phase 3 clinical trial in advanced primary head and neck cancer has been placed on clinical hold. Pursuant to this communication from FDA, patients currently receiving study treatments can continue to receive treatment, and patients already enrolled in the study will continue to be followed.

On October 21, 2016, CEL-SCI issued a press release stating the following: "following up on our press release issued on September 26, 2016, we have received the Partial Clinical Hold letter from the U.S. Food and Drug Administration (FDA). On November 21, 2016, CEL-SCI announced that it had submitted a response to FDA's Partial Clinical Hold letter referenced above.

Liquidity and Capital Resources

CEL-SCI has had only limited revenues from operations since its inception in March 1983. CEL-SCI has relied upon capital generated from the public and private offerings of its common stock and convertible notes. In addition, CEL-SCI has utilized short-term loans to meet its capital requirements. Capital raised by CEL-SCI has been used to acquire an exclusive worldwide license to use, and later purchase, certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system and for clinical trials. Capital has also been used for patent applications, debt repayment, research and development, administrative costs, and the construction of CEL-SCI's laboratory facilities. CEL-SCI 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, CEL-SCI 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. During fiscal year 2016 and 2015, CEL-SCI raised net proceeds of approximately $21.4 million and $21.1 million, respectively, through the sale of stock.

CEL-SCI estimates the total cash cost of the Phase 3 clinical trial, with the exception of the parts that will be paid by its licensees, Teva Pharmaceuticals and Orient Europharma, to be approximately $12.1 million going forward.

In August 2007, CEL-SCI leased a building near Baltimore, Maryland. The building, which consists of approximately 73,000 square feet, has been remodeled in accordance with CEL-SCI's specifications so that it can be used by CEL-SCI to manufacture Multikine for CEL-SCI's Phase III clinical trials and sales of the drug if approved by the FDA. The lease expires on October 31, 2028, and required annual base rent payments of approximately $1.6 million during the twelve months ended September 30, 2016. See Item 2 of this report for more information concerning the terms of this lease.

In January 2014, CEL-SCI offered to the investors to extend the outstanding Series N warrants by one year and allow for cashless exercise in exchange for cancelling the reset provision in the warrant agreement. One of the investors accepted this offer. In March 2014, 4,272 Series N Warrants were exercised. On October 28, 2014, the remaining Series N warrants were transferred to the de Clara Trust, of which the Company's CEO, Geert Kersten, is the trustee and a beneficiary. On June 29, 2015, concurrently with the modification of the note payable held by the de Clara Trust, CEL-SCI extended the expiration date of the Series N warrants to August 18, 2017. As of September 30, 2016, the remaining 113,785 Series N warrants entitle the holders to purchase one share of CEL-SCI's common stock at a price of $13.18 per share at any time prior to August 18, 2017.

On January 13, 2016, CEL-SCI repaid the note payable to the de Clara Trust, the balance of which was $1,105,989, including principal and interest. At the same time the Company sold 120,000 shares of its common stock and 120,000 Series X warrants to the de Clara Trust for $1,110,000. 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.

In October 2013, CEL-SCI sold 713,043 shares of its common stock, plus 819,000 Series S warrants, in an underwritten offering. The net proceeds to CEL-SCI from the sale of the shares and warrants were approximately $16.4 million, after deducting the underwriting discount. The Series S warrants may be exercised at any time on or before October 11, 2018 at a price of $31.25 per share.

In December 2013, CEL-SCI sold 209,524 shares of its common stock and Series S warrants, in an underwritten offering. The net proceeds to CEL-SCI from the sale of the shares and Series S warrants were approximately $2.7 million, after deducting the underwriting discount. The Series S warrants may be exercised at any time on or before October 11, 2018 at a price of $31.25 per share.

In February 2014, the S warrants began trading on the NYSE MKT under the ticker symbol “CVM WS”. As of September 30, 2016, 83,551 Series S Warrants had been exercised. The remaining 1,037,120 Series S warrants entitle the holders to purchase one share of CEL-SCI's common stock at a price of $31.25 per share.

In April 2014, CEL-SCI sold 285,129 shares of common stock, plus 71,282 Series T warrants, in an underwritten offering. The net proceeds to CEL-SCI from the sale of the stock and warrants were approximately $9.23 million. The Series T warrants had an exercise price of $39.50 and expired on October 17, 2014. CEL-SCI also issued 17,821 Series U warrants to the underwriters for this offering. The Series U warrants may be exercised beginning October 17, 2014 at a price of $43.75 per share and expire on October 17, 2017. As of September 30, 2016, none of the Series U warrants had been exercised.

In October 2014, CEL-SCI sold 315,789 shares of common stock, plus 78,947 Series S warrants in an underwritten public offering. The net proceeds to CEL-SCI from the sale of the stock and warrants were approximately $5.5 million. The warrants are immediately exercisable, expire October 11, 2018 and have an exercise price of $31.25.

Additionally, in October 2014, CEL-SCI sold 52,800 shares of common stock, plus 13,200 Series S warrants in a registered direct offering. The net proceeds to CEL-SCI from the sale of the stock and warrants were approximately $941,000. The warrants are immediately exercisable, expire October 11, 2018 and have an exercise price of $31.25.

On May 28, 2015, CEL-SCI sold 810,127 shares of common stock, plus 810,127 Series V warrants, in an underwritten public offering. The common stock and Series V warrants were sold at a combined per unit price of $19.75 for net proceeds of approximately $14.7 million. The Series V warrants are immediately exercisable at a price of $19.75 and expire on May 28, 2020. As of September 30, 2016, none of the Series V warrants had been exercised.

On October 28, 2015, the Company closed an underwritten public offering of 688,930 shares of common stock and 688,930 Series W warrants to purchase shares of common stock. The common stock and warrants were sold at a combined per unit price of $16.75 for net proceeds of approximately $10.5 million, net of underwriting discounts and commissions and offering expenses. The Series W warrants are immediately exercisable at a price of $16.75 and expire on October 28, 2020. As of September 30, 2016, none of the Series W warrants had been exercised.

In January 2016, 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, as noted above. The de Clara Trust is controlled by Geert Kersten, the Company's Chief Executive Officer and a director. Each Series X 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. As of September 30, 2016, none of the Series X warrants had been exercised.

In February 2016, the Company sold 52,000 shares of its common stock and 26,000 Series Y warrants to a private investor for $624,000. Each Series Y warrant allows the holder to purchase one share of the Company's common stock at a price of $12.00 per share at any time on or before February 15, 2021. As of September 30, 2016, none of the Series Y warrants had been exercised.

On May 23, 2016, the Company closed a registered direct offering of 400,000 shares of common stock and 264,000 Series Z warrants to purchase shares of common stock. The common stock and warrants were sold at a combined per unit price of $12.50 for net proceeds of approximately $4.6 million, net of placement agent's commissions and offering expenses. The Series Z warrants may be exercised at any time on or after November 23, 2016 and on or before November 23, 2021 at a price of $13.75 per share. The Company also issued 20,000 Series ZZ warrants to the placement agent as part of its compensation. The Series ZZ warrants may be exercised at any time on or after November 23, 2016 and on or before May 18, 2021 at a price of $13.75 per share. As of September 30, 2016, none of the Series Z and ZZ warrants had been exercised.

On August 26, 2016, the Company closed a registered direct offering of 400,000 shares of common stock and Series AA warrants to purchase up to 40,000 shares of common stock. Each share of common stock was sold together with a Series AA warrant to purchase one-half of a share of common stock for the combined purchase price of $12.50. Each warrant can be exercised at any time after February 22, 2017 and on or before February 22, 2022 at a price of $13.75 per share. The Company also issued 16,000 Series BB warrants to the placement agent as part of its compensation. The Series BB warrants may be exercised at any time on or after February 22, 2017 and on or before August 22, 2021 at a price of $13.75 per share. The Company received proceeds from the sale of Series AA and Series BB shares and warrants of approximately $4.5 million, net of placement agent's commissions and offering expenses. As of September 30, 2016, none of the Series AA and BB warrants had been exercised.

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 $3.8 million, excluding any future proceeds that may be received from the exercise of the warrants.

Inventory decreased by approximately $393,000 at September 30, 2016 as compared to September 30, 2015, due to the timing of supplies purchased and used in the manufacturing of Multikine for the Phase 3 clinical trial. In addition, receivables increased by approximately $307,000, primarily due to the timing of payments reimbursed under the litigation funding arrangement noted above.

During the year ended September 30, 2016, CEL-SCI's cash decreased by approximately $2.8 million. Significant components of this decrease include: 1) net cash used in operating activities of approximately $23.1 million, 2) expenditures for equipment and patents of approximately $34,000, 3) the approximate $1.1 million repayment of the related party loan, and 4) the payment of approximately $8,000 in capital lease obligations offset by approximately $21.4 in proceeds from the sale of stock and warrants.

Future Capital Requirements

Other than funding operating losses, funding its research and development program, and making required lease payments, CEL-SCI does not have any material capital commitments. As of September 30, 2016, material contractual obligations, consisting of operating lease payments, excluding payments under the San Tomas lease, are as follows:

2017	$ 243,000
2018	251,000
2019	258,000
2020	238,000
2021	163,000
Thereafter	69,000
Total minimum lease payments:	$ 1,222,000

Future minimum lease payments under the San Tomas lease as of September 30, 2016 are as follows:

Years ending September 30,	
2017	$ 1,687,000
2018	1,747,000
2019	1,808,000
2020	1,872,000
2021	1,937,000
Thereafter	15,762,000
Total future minimum lease obligation	24,813,000
Less imputed interest on financing obligation	(11,802,000)
Net present value of lease financing obligation	$ 13,011,000

For information on employment contracts, see Item 11 of this report.

Further, CEL-SCI has contingent obligations with vendors for work that will be completed in relation to the Phase 3 trial. The timing of these obligations cannot be determined at this time. CEL-SCI estimates that the total remaining cash cost of the Phase 3 clinical trial, excluding any costs that will be paid by CEL-SCI's partners, would be approximately $12.1 million after September 30, 2016. This ís based on the executed contract costs with the CROs only and does not include other related costs, e.g. the manufacturing of the drug.

CEL-SCI will need to raise additional funds, either through the exercise of outstanding warrants/options, through a debt or equity financing or a partnering arrangement, to complete the Phase 3 trial and bring Multikine to market. The ability of CEL-SCI to complete the necessary clinical trials and obtain FDA approval for the sale of products to be developed on a commercial basis is uncertain. In general, CEL-SCI believes that it will be able to raise sufficient capital in fiscal year 2017 to continue operations through December 2017. However, it is possible that CEL-SCI will not be able to generate enough cash to continue operations at its current level. CEL-SCI's registered independent public accounting firm has issued an audit opinion that includes an explanatory paragraph that expresses substantial doubt about CEL-SCI's ability to continue as a going concern mainly due to continued losses from operations and future liquidity needs of CEL-SCI. CEL-SCI's management has engaged in fundraising for over 20 years and believes that the manner in which it is proceeding will produce the best possible outcome for the shareholders. There can be no assurances that CEL-SCI will be successful in raising additional funds.

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 CEL-SCI's clinical trials and research programs are primarily based upon the amount of capital available to CEL-SCI and the extent to which CEL-SCI has received regulatory approvals for clinical trials. The inability of CEL-SCI to conduct clinical trials or research, whether due to a lack of capital or regulatory approval, will prevent CEL-SCI from completing the studies and research required to obtain regulatory approval for any products which CEL-SCI is developing. Without regulatory approval, CEL-SCI will be unable to sell any of its products.

In the absence of revenues, CEL-SCI will be required to raise additional funds through the sale of securities, debt financing or other arrangements in order to continue with its research efforts. However, there can be no assurance that such financing will be available or be available on favorable terms. Ultimately, CEL-SCI must complete the development of its products, obtain appropriate regulatory approvals and obtain sufficient revenues to support its cost structure.

Since all of CEL-SCI’s projects are under development, CEL-SCI cannot predict with any certainty the funds required for future research and clinical trials, the timing of future research and development projects, or when it will be able to generate any revenue from the sale of any of its products.

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

Critical Accounting Policies

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

Stock Options and Warrants – Compensation cost is measured at fair value as of the grant date in accordance with the provisions of ASC 718. The fair value of the stock options is calculated using the Black-Scholes option pricing model. The Black-Scholes model requires various judgmental assumptions including volatility, forfeiture rates and expected option life. The stock-based compensation cost is recognized on the accelerated method as expense over the requisite service or vesting period.

Options to non-employees are accounted for in accordance with ASC 505-50, “Equity-Based Payments to Non-Employees.” Accordingly, compensation cost is recognized when goods or services are received and is measured using the Black-Scholes valuation model. The Black-Scholes model requires CEL-SCI’s management to make assumptions regarding the fair value of the options at the date of grant and the expected life of the options.

Asset Valuations and Review for Potential Impairments - CEL-SCI reviews its fixed assets, intangibles and deferred rent every fiscal quarter. This review requires that CEL-SCI make assumptions regarding the value of these assets and the changes in circumstances that would affect the carrying value of these assets. If such analysis indicates that a possible impairment may exist, CEL-SCI is then required to estimate the fair value of the asset and, as deemed appropriate, expense all or a portion of the asset. The determination of fair value includes numerous uncertainties, such as the impact of competition on future value. CEL-SCI believes that it has made reasonable estimates and judgments in determining whether its long-lived assets have been impaired; however, if there is a material change in the assumptions used in its determination of fair values or if there is a material change in economic conditions or circumstances influencing fair value, CEL-SCI could be required to recognize certain impairment charges in the future. As a result of the reviews, no changes in asset values were required.

Derivative Instruments—CEL-SCI enters into financing arrangements that consist of freestanding derivative instruments or hybrid instruments that contain embedded derivative features. CEL-SCI accounts for these arrangements in accordance with ASC 815, “Accounting for Derivative Instruments and Hedging Activities, as well as related interpretations of these standards. In accordance with accounting principles generally accepted in the United States (“GAAP”), derivative instruments and hybrid instruments are recognized as either assets or liabilities in the statement of financial position and are measured at fair value with gains or losses recognized in earnings or other comprehensive income depending on the nature of the derivative or hybrid instruments. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and recognized at fair value with changes in fair value recognized as either a gain or loss in earnings if they can be reliably measured. When the fair value of embedded derivative features cannot be reliably measured, CEL-SCI measures and reports the entire hybrid instrument at fair value with changes in fair value recognized as either a gain or loss in earnings. CEL-SCI determines the fair value of derivative instruments and hybrid instruments based on available market data using appropriate valuation models, giving consideration to all of the rights and obligations of each instrument and precluding the use of “blockage” discounts or premiums in determining the fair value of a large block of financial instruments. Fair value under these conditions does not necessarily represent fair value determined using valuation standards that give consideration to blockage discounts and other factors that may be considered by market participants in establishing fair value.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Market risk is the potential change in an instrument's value caused by, for example, fluctuations in interest and currency exchange rates. CEL-SCI enters into financing arrangements that are, or include, freestanding derivative instruments or that are, or include, hybrid instruments that contain embedded derivative features. CEL-SCI does not enter into derivative instruments for trading purposes. Additional information is presented in the notes to the financial statements. The fair value of these instruments is affected primarily by volatility of the trading prices of CEL-SCI’s common stock. For three years ended September 30, 2016, CEL-SCI recognized gains of $14,013,726, $282,616, and $248,767, respectively, resulting from changes in fair value of derivative instruments. CEL-SCI has exposure to risks associated with foreign exchange rate changes because some of the expenses related to the Phase 3 trial are transacted in a foreign currency. The interest risk on investments on September 30, 2016 was considered immaterial due to the fact that the interest rates at that time were nominal at best and CEL-SCI keeps its cash and cash equivalents in short term maturities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the financial statements included with this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable

ITEM 9A. CONTROLS AND PROCEDURES

Under the direction and with the participation of CEL-SCI's management, including CEL-SCI's Chief Executive Officer and Chief Financial Officer, CEL-SCI carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2016. CEL-SCI 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 CEL-SCI's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. CEL-SCI's disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching its desired disclosure control objectives. Previously based on this evaluation, CEL-SCI's Chief Executive and Principal Financial Officer has concluded that CEL-SCI's disclosure controls were effective as of September 30, 2016. However, due to the material weaknesses in internal control over financial reporting described below, CEl-SCI's Chief Executive Officer and Principal Financial Officer concluded that CEL-SCI's disclosure controls and procedures were not effective as of September 30, 2016.

Management's Report on Internal Control Over Financial Reporting

CEL-SCI's management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of CEL-SCI's principal executive officer and principal financial officer and implemented by CEL-SCI's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of CEL-SCI's financial statements in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Geert Kersten, CEL-SCI's Chief Executive and Principal Financial Officer, evaluated the effectiveness of CEL-SCI's internal control over financial reporting as of September 30, 2016 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of CEL-SCI's internal control over financial reporting and testing of the operational effectiveness of those controls.

In November 2017, CEL-SCI discovered an error in the way it accounted for the lease for its manufacturing facility. CEL-SCI initially recorded this lease as an operating lease but later identified that it should have accounted for it as a financing lease and capitalized an asset and related liability. Accordingly, on November 17, 2017, the Audit Committee of the Board of Directors of the Company concluded that CEL-SCI's Management's Report on Internal Control over Financial Reporting and the related Report of independent Registered Public Accounting Firm on internal control over financial reporting included in CEL-SCI's annual Report on Form 10-K for the fiscal year ended September 30, 2016 should no longer be relied upon. Based on this evaluation, Mr. Kersten concluded that CEL-SCI's internal control over financial reporting was not effective as of September 30, 2016.

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. In order to remediate these material weaknesses, the Company will change certain control activities over financial reporting to include the following:

All facility leasing activities will be subject to a thorough review of capital versus operating lease classification. Further, leases that include construction activity prior to lease inception will be reviewed against the build-to-suit lease guidance in ASC 840. In addition, the Company will also engage outside financial reporting specialists to assist it in the review process.

The Company will enhance its policy for reviewing long-lived assets for impairments by incorporating additional triggering event factors for consideration as part of its control. This review will be carried out by the Company and also be assisted by an outside financial reporting specialist.

The financial reporting process will be enhanced to include the use of monthly, quarterly and annual closing checklists to capture routine and non-routine transactions that require additional review. Further, the Company will also augment its control process by expanding the use of a financial reporting specialist to assist in the financial close process.

There was no change in CEL-SCI's internal control over financial reporting that occurred during the fiscal year ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, CEL-SCI's internal control over financial reporting.

CEL-SCI's independent registered public accounting firm BDO USA, LLP has issued an attestation report on CEL-SCI's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
CEL-SCI Corporation
Vienna, VA

We have audited CEL-SCI Corporation's (the Company) internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated December 14, 2016, we expressed an unqualified opinion on the effectiveness of internal control over financial reporting as of September 30, 2016. Subsequent to December 14, 2016, CEL-SCI Corporation, Inc. identified a material misstatement in its annual financial statements for 2016, 2015, and 2014, requiring restatement of such financial statements. Management revised its assessment of internal control over financial reporting due to the identification of material weaknesses, described in the following paragraph, in connection with the financial statement restatement. Accordingly, our opinion on the effectiveness of CEL-SCI Corporation, Inc.'s internal control over financial reporting as of September 30, 2016 expressed herein is different from that expressed in our previous report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses regarding accounting for leases, assessment of impairment of long-lived assets, and the financial close process have been identified and described in management's revised assessment. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2016, 2015, and 2014 financial statements (as restated).

In our opinion, CEL-SCI Corporation did not maintain, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions to be taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets of CEL-SCI Corporation as of September 30, 2016 and 2015, and the related statements of operations, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended September 30, 2016 and our report dated December 14, 2016 expressed an unqualified opinion thereon that included an explanatory paragraph regarding CEL-SCI Corporation's ability to continue as a going concern.

/s/BDO USA, LLP

McLean, Virginia
December 14, 2016, except as to the effect of the material weaknesses which is dated as of December 11, 2017

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ITEM 9B. OTHER INFORMATION

None.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Officers and Directors

Name	Age	Position
Geert R. Kersten, Esq.	57	Director, Chief Executive Officer and Treasurer
Patricia B. Prichep	65	Senior Vice President of Operations and Corporate Secretary
Dr. Eyal Talor	60	Chief Scientific Officer
Dr. Daniel H. Zimmerman	75	Senior Vice President of Research, Cellular Immunology
John Cipriano	74	Senior Vice President of Regulatory Affairs
Alexander G. Esterhazy (1)	75	Director
Dr. Peter R. Young	71	Director
Bruno Baillavoine	64	Director

(1)
Mr. Esterhazy passed away on August 30, 2017.

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

On August 31, 2016, Mr. Maximilian de Clara resigned for personal health reasons, effective immediately. The 87 year-old visionary funded the original research of what has become CEL-SCI’s investigational drug Multikine at the Max Planck Institute in Germany. Mr. de Cara by virtue of his former position as an officer and director of CEL-SCI, was deemed to be the "parent" and "founder" of CEL-SCI as those terms are defined under applicable rules and regulations of the SEC.

All of CEL-SCI’s directors have served as directors for a significant period of time. Consequently, their long-standing experience with CEL-SCI benefits both CEL-SCI and its shareholders.

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

Geert Kersten has served in his current leadership role at CEL-SCI since 1995. Mr. Kersten has been with CEL-SCI since 1987. He has been involved in the pioneering field of cancer immunotherapy for over two decades and has successfully steered CEL-SCI through many challenging cycles in the biotechnology industry. Mr. Kersten also provides CEL-SCI with significant expertise in the fields of finance and law and has a unique vision of how CEL-SCI's Multikine product could potentially change the way cancer is treated. Prior to joining CEL-SCI, Mr. Kersten worked at the law firm of Finley & Kumble and worked at Source Capital, an investment banking firm located in McLean, VA. He is a native of Germany, graduated from Millfield School in England, and completed his studies in the US. Mr. Kersten received his Undergraduate Degree in Accounting and an M.B.A. from George Washington University, and a law degree (J.D.) from American University in Washington, DC.

Patricia B. Prichep joined CEL-SCI in 1992 and has been CEL-SCI's Senior Vice President of Operations since March 1994. Between December 1992 and March 1994, Ms. Prichep was CEL-SCI's Director of Operations. Ms. Prichep became CEL-SCI's Corporate Secretary in May 2000. She is responsible for all day-to-day operations of CEL-SCI, including human resources and is the liaison with CEL-SCI’s independent registered public accounting firm for financial reporting. From June 1990 to December 1992, Ms. Prichep was the Manager of Quality and Productivity for the NASD’s Management, Systems and Support Department and was responsible for the internal auditing and work flow analysis of operations. Between 1982 and 1990, Ms. Prichep was Vice President and Operations Manager for Source Capital, Ltd. She handled all operations and compliance for Source Capital and was licensed as a securities broker. Ms. Prichep received her B.A. from the University of Bridgeport in Connecticut.

Eyal Talor, Ph.D. joined CEL-SCI in October 1993. In October 2009, Dr. Talor was promoted to Chief Scientific Officer. Between this promotion and March of 1994 he was the Senior Vice President of Research and Manufacturing. He is a clinical immunologist with over 19 years of hands-on management of clinical research and drug development for immunotherapy application; pre-clinical to Phase III, in the biopharmaceutical industry. His expertise includes; biopharmaceutical R&D and Biologics product development, GMP (Good Manufacturing Practices) manufacture, Quality Control testing, and the design and building of GMP manufacturing and testing facilities. He served as Director of Clinical Laboratories (certified by the State of Maryland) and has experience in the design of clinical trials (Phase I – III) and GCP (Good Clinical Practices) requirements. He also has broad experience in the different aspects of biological assay development, analytical methods validation, raw material specifications, and QC (Quality Control) tests development under FDA/GMP, USP, and ICH guidelines. He has extensive experience in the preparation of documentation for IND and other regulatory submissions. His scientific area of expertise encompasses immune response assessment. He is the author of over 25 publications and has published a number of reviews on immune regulations in relation to clinical immunology. Before coming to CEL-SCI, he was Director of R&D and Clinical Development at CBL, Inc., Principal Scientist - Project Director, and Clinical Laboratory Director at SRA Technologies, Inc. Prior to that he was a full time faculty member at The Johns Hopkins University, Medical Institutions; School of Public Health. He has invented technologies which are covered by two US patents; one on Multikine’s composition of matter and method of use in cancer, and one on a platform Peptide technology (‘Adapt’) for the treatment of autoimmune diseases, asthma, allergy, and transplantation rejection. He also is responsible for numerous product and process inventions as well as a number of pending US and PCT patent applications. He received his Ph.D. in Microbiology and Immunology from the University of Ottawa, Ottawa, Ontario, Canada, and had post-doctoral training in clinical and cellular immunology at The John Hopkins University, Baltimore, Maryland, USA. He holds an Adjunct Associate teaching position at the Johns Hopkins University Medical Institutions.

Daniel H. Zimmerman, Ph.D., was CEL-SCI's Senior Vice President of Cellular Immunology between 1996 and December 2008 and again since November 2009. He joined CEL-SCI in January 1996 as the Vice President of Research, Cellular Immunology. Dr. Zimmerman founded CELL-MED, Inc. and was its president from 1987-1995. From 1973-1987, Dr. Zimmerman served in various positions at Electronucleonics, Inc. His positions included: Scientist, Senior Scientist, Technical Director and Program Manager. Dr Zimmerman held various teaching positions at Montgomery College between 1987 and 1995. Dr. Zimmerman has invented technologies which are covered by over a dozen US patents as well as many foreign equivalent patents. He is the author of over 40 scientific publications in the area of immunology and infectious diseases. He has been awarded numerous grants from NIH and DOD. From 1969-1973, Dr. Zimmerman was a Senior Staff Fellow at NIH. For the following 25 years, he continued on at NIH as a guest worker. Dr. Zimmerman received a Ph.D. in Biochemistry in 1969, and a Masters in Zoology in 1966 from the University of Florida as well as a B.S. in Biology from Emory and Henry College in 1963.

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John Cipriano, was CEL-SCI's Senior Vice President of Regulatory Affairs between March 2004 and December 2008 and again since October 2009. Mr. Cipriano brings to CEL-SCI over 30 years of experience with both biotech and pharmaceutical companies. In addition, he held positions at the United States Food and Drug Administration (FDA) as Deputy Director, Division of Biologics Investigational New Drugs, Office of Biologics Research and Review and was the Deputy Director, IND Branch, Division of Biologics Evaluation, Office of Biologics. Mr. Cipriano completed his B.S. in Pharmacy from the Massachusetts College of Pharmacy in Boston, Massachusetts and his M.S. in Pharmaceutical Chemistry from Purdue University in West Lafayette, Indiana.

Alexander G. Esterhazy has been a Director of CEL-SCI since December 1999 and has been an independent financial advisor since November 1997. Between July 1991 and October 1997, Mr. Esterhazy was a senior partner of Corpofina S.A. Geneva, a firm engaged in mergers, acquisitions and portfolio management. Between January 1988 and July 1991, Mr. Esterhazy was a managing director of DG Bank in Switzerland. During this period Mr. Esterhazy was in charge of the Geneva, Switzerland branch of the DG Bank, founded and served as Vice President of DG Finance (Paris) and was the President and Chief Executive Officer of DG-Bourse, a securities brokerage firm.

Peter R. Young, Ph.D. has been a Director of CEL-SCI since August 2002. Dr. Young has been a senior executive within the pharmaceutical industry in the United States and Canada for most of his career, originally in organizations that are now part of Sanofi S.A. Over the last 20 years he has primarily held positions of Chief Executive Officer or Chief Financial Officer and has extensive experience with acquisitions and equity financing. Since November 2001, Dr. Young has been the President of Agnus Dei, LLC, which has acted as a partner in an organization managing immune system clinics which treats patients with diseases such as cancer, multiple sclerosis and hepatitis. Dr. Young was also the President and Chief Executive Officer of SRL Technology, Inc., a company involved in the development of pharmaceutical drug delivery systems. Between 1998 and 2001, Dr. Young was the Chief Financial Officer of Adams Laboratories, Inc., the developer of Mucinex®. Dr. Young received his Ph.D. in Organic Chemistry from the University of Bristol, England after obtaining his Bachelor's degree in Honors Chemistry, Mathematics and Economics. Subsequently, he qualified as a Fellow of the Chartered Institute of Management Accountants.

Bruno Baillavoine joined CEL-SCI's board of directors in June 2015. Since 2010, Mr. Baillavoine has been a partner of Globomass Holdings Limited, a London, England based developer of renewable energy projects from concept through final operations. Since 2012 Mr. Baillavoine has been the Executive Chairman of Globomass Holdings. Globomass Holdings has subsidiaries in Ireland, Bulgaria, Croatia, Serbia, and has recently acquired a 20% stake in a US based renewable energy company. Between 1978 and 1982 he was the marketing manager of Ravenhead Ltd., a manufacturer of glass tableware, and part of United Distillers Group (later acquired by Grand Metropolitan). During this time Mr. Baillavoine became the UK Business Manager where he restored market share and profit for United Distillers. From 1982 to 1986 Mr. Baillavoine was Group Corporate Planning and Group Marketing Director for Prontaprint where he expanded the number of shops to 500 locations in four years. Mr. Baillavoine joined Grand Metropolitan Plc between 1986-1988 (now Diageo Plc), an FTSE 100 beverage, food, hotel and leisure company, as director in the Special Operations division. In this capacity, he developed plans for Grand Met's trouble-shooting division for over 20,000 Grand Met retail outlets. From 1988-1991 he was the Managing Director of Nutri Systems (UK) Ltd., a subsidiary of the US based provider of professionally supervised weight loss programs. Between 1991 and 1995, Mr. Baillavoine was Director of BET Group plc, a multinational business support services group, and in 1992, was promoted to the Managing Director for the manufacturing businesses. The £2.3 billion turnaround of BET during his tenure is one of the most successful turnarounds of a top 100 FTSE company. Since 1995, Mr. Baillavoine has held a number of CEO positions across a wide range of industries and geographical locations. Mr. Baillavoine has European and American educations (US high school and University of Wisconsin Eau Claire 1972-1976).

All of CEL-SCI's officers devote substantially all of their time to CEL-SCI's business.

CEL-SCI's Board of Directors does not have a "leadership structure", as such, since each director is entitled to introduce resolutions to be considered by the Board and each director is entitled to one vote on any resolution considered by the Board. CEL-SCI's Chief Executive Officer is not the Chairman of CEL-SCI's Board of Directors.

CEL-SCI's Board of Directors has the ultimate responsibility to evaluate and respond to risks facing CEL-SCI. CEL-SCI's Board of Directors fulfills its obligations in this regard by meeting on a regular basis and communicating, when necessary, with CEL-SCI's officers.

Alexander G. Esterhazy, Dr. Peter R. Young and Bruno Baillavoine are independent directors as that term is defined in section 803 of the listing standards of the NYSE MKT.

CEL-SCI has adopted a Code of Ethics which is applicable to CEL-SCI'S principal executive, financial, and accounting officers and persons performing similar functions. The Code of Ethics is available on CEL-SCI's website, located at www.cel-sci.com.

If a violation of this code of ethics act is discovered or suspected, any person (anonymously, if desired) may send a detailed note, with relevant documents, to CEL-SCI's Audit Committee, c/o Dr. Peter Young, 208 Hewitt Drive, Suite 103-143, Waco, TX 76712.

For purposes of electing directors at its annual meeting, CEL-SCI has a nominating committee that is made up of CEL-SCI's three independent directors. The nominating committee selects the nominees to the Board of Directors and they are approved by CEL-SCI's shareholders.

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CEL-SCI does not have any policy regarding the consideration of director candidates recommended by shareholders since a shareholder has never recommended a nominee to the Board of Directors and under Colorado law, any shareholder can nominate a person for election as a director at the annual shareholders' meeting. However, CEL-SCI's Board of Directors will consider candidates recommended by shareholders. To submit a candidate for the Board of Directors the shareholder should send the name, address and telephone number of the candidate, together with any relevant background or biographical information, to CEL-SCI's Chief Executive Officer, at the address shown on the cover page of this report. The Board has not established any specific qualifications or skills a nominee must meet to serve as a director. Although the Board does not have any process for identifying and evaluating director nominees, the Board does not believe there would be any differences in the manner in which the Board evaluates nominees submitted by shareholders as opposed to nominees submitted by any other person.

CEL-SCI does not have a policy with regard to Board member's attendance at annual meetings. All Board members, with the exception of Mr. de Clara and Mr. Esterhazy, attended the last annual shareholder's meeting held on July 22, 2016.

Holders of CEL-SCI's common stock can send written communications to CEL-SCI's entire Board of Directors, or to one or more Board members, by addressing the communication to "the Board of Directors" or to one or more directors, specifying the director or directors by name, and sending the communication to CEL-SCI's offices in Vienna, Virginia. Communications addressed to the Board of Directors as whole will be delivered to each Board member. Communications addressed to a specific director (or directors) will be delivered to the director (or directors) specified.

Security holder communications not sent to the Board of Directors as a whole are not relayed to Board members.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) outlines CEL-SCI's compensation philosophy, objectives and process for its executive officers. This CD&A includes information on how compensation decisions are made, the overall objectives of CEL-SCI's compensation program, a description of the various components of compensation that are provided, and additional information pertinent to understanding CEL-SCI's executive officer compensation program.

The Compensation Committee determines the compensation of CEL-SCI's Chief Executive Officer and delegates to the Chief Executive Officer the responsibility to determine the base salaries of all other officers, other than himself, under the constraints of an overall limitation on the total amount of compensation to be paid to them.

Compensation Philosophy

CEL-SCI's compensation philosophy extends to all employees, including executive officers, and is designed to align employee and shareholder interests. The philosophy's objective is to pay fairly based upon the employee's position, experience and individual performance. Employees may be rewarded through additional compensation when CEL-SCI meets or exceeds targeted business objectives. Generally, under CEL-SCI's compensation philosophy, as an employee's level of responsibility increases, a greater portion of his or her total potential compensation becomes contingent upon annual performance.

A substantial portion of an executive's compensation incorporates performance criteria that support and reward achievement of CEL-SCI's long term business goals.

The fundamental principles of CEL-SCI's compensation philosophy are described below:

Market-driven. Compensation programs are structured to be competitive both in their design and in the total compensation that they offer.

Performance-based. Certain officers have some portion of their incentive compensation linked to CEL-SCI's performance. The application of performance measures as well as the form of the reward may vary depending on the employee's position and responsibilities.

Based on a review of its compensation programs, CEL-SCI does not believe that such programs encourage any of its employees to take risks that would be likely to have a material adverse effect on CEL-SCI. CEL-SCI reached this conclusion based on the following:

The salaries paid to employees are consistent with the employees' duties and responsibilities.

Employees who have high impact relative to the expectations of their job duties and functions are rewarded.

CEL-SCI retains employees who have skills critical to its long term success.

Review of Executive Officer Compensation

CEL-SCI's current policy is that the various elements of the compensation package are not interrelated in that gains or losses from past equity incentives are not factored into the determination of other compensation. For instance, if options that are granted in a previous year have an exercise price which is below the market price of CEL-SCI's common stock, the Committee does not take that circumstance into consideration in determining the amount of the options or restricted stock to be granted the next year. Similarly, if the options or restricted shares granted in a previous year become extremely valuable, the Committee does not take that into consideration in determining the options or restricted stock to be awarded for the next year.

CEL-SCI does not have a policy with regard to the adjustment or recovery of awards or payments if relevant performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

Components of Compensation—Executive Officers

CEL-SCI's executive officers are compensated through the following three components:

Base Salary

Long-Term Incentives ("LTIs") (stock options and/or grants of stock)

Benefits

These components provide a balanced mix of base compensation and compensation that is contingent upon each executive officer's individual performance. A goal of the compensation program is to provide executive officers with a reasonable level of security through base salary and benefits. CEL-SCI wants to ensure that the compensation programs are appropriately designed to encourage executive officer retention and motivation to create shareholder value. The Compensation Committee believes that CEL-SCI's stockholders are best served when CEL-SCI can attract and retain talented executives by providing compensation packages that are competitive but fair.

In past years, base salaries, benefits and incentive compensation opportunities were generally targeted near the median of general survey market data derived from indices covering similar biotech/pharmaceutical companies. The companies included Advaxis, Inc., Amicus Therapeutics, Inc., Celsion Corp., CytRx Corporation, GERON Corp, Idera Pharmaceuticals, Inc., Northwest Biotherapeutics, Inc., Oragenics, Inc., StemCells, Inc., TG Therapeutics, Inc., Venaxis, Inc., Arrowhead Research Corp, CorMedix Inc., Fibrocell Science, Inc., Hemispherx Biopharma, Inc., Opexa Therapeutics, Inc., Mateon Therapeutics, Inc. (formerly OXiGENE, Inc.), Catalyst Bioscience, Inc., Sorrento Therapeutics, Inc., Tenax Therapeutics, Inc., Trovagene, Inc. and ZIOPHARM Oncology, Inc.

During fiscal year 2014, CEL-SCI used a third party consultant to provide it with recommendations for strategic long term incentive compensation for certain key executives. The recommendation resulted in the formation of the 2014 Incentive Stock Bonus Plan that was voted on and passed by the shareholders at the annual meeting on July 22, 2014.

Base Salaries

Base salaries generally have been targeted to be competitive when compared to the salary levels of persons holding similar positions in other pharmaceutical companies and other publicly traded companies of comparable size. Each executive officer's respective responsibilities, experience, expertise and individual performance are considered.

A further consideration in establishing compensation for the senior employees is their long term history with CEL-SCI. Taken into consideration are factors that have helped CEL-SCI survive in times when it was financially weak, such as: willingness to accept salary cuts, willingness not to be paid at all for extended time periods, and in general an attitude that helped CEL-SCI survive during financially difficult times.

Long-Term Incentives

Stock grants and option grants help to align the interests of CEL-SCI's employees with those of its shareholders. Options and stock grants are made under CEL-SCI's Stock Option, Incentive Stock Bonus, Stock Bonus and Stock Compensation Plans. Options are granted with exercise prices equal to the closing price of CEL-SCI's common stock on the day immediately preceding the date of grant, with pro rata vesting at the end of each of the following three years.

CEL-SCI believes that grants of equity-based compensation:

Enhance the link between the creation of shareholder value and long-term executive incentive compensation;

Provide focus, motivation and retention incentive; and

Provide competitive levels of total compensation.

CEL-SCI's management believes that the pricing for biotechnology stocks is highly inefficient until the time of product sales. As such, any long term compensation tied to progress as measured by share price is not as efficient as it should be. The plan approved by the shareholders in July 2014, which covers senior and mid-level employees, seeks to address this issue by rewarding employees for meeting major operational milestones and significantly improved share prices.

Benefits

In addition to cash and equity compensation programs, executive officers participate in the health and welfare benefit programs available to other employees. In a few limited circumstances, CEL-SCI provides other benefits to certain executive officers, such as car allowances.

All executive officers are eligible to participate in CEL-SCI's 401(k) plan on the same basis as its other employees. CEL-SCI matches 100% of each employee's contribution up to 6% of his or her salary.

The following table sets forth in summary form the compensation received by (i) the Chief Executive and Financial Officer of CEL-SCI and (ii) by each other executive officer of CEL-SCI who received in excess of $100,000 during the three fiscal years ended September 30, 2016.

Name and Principal Position	Fiscal Year	Salary (1)	Bonus (2)	Restricted Stock Awards (3)	Option Awards (4)	All Other Compen-sation(5)	Total
		$	$	$	$	$	$
Maximilian de Clara,	2016	345,618	--	--	46,352	40,000	431,970
Former President (6)	2015	332,750	--	--	69,190	40,000	441,940
	2014	393,250	--	--	298,648	73,183	765,081
Geert R. Kersten,	2016	558,432	--	15,900	--	54,981	629,314
Chief Executive	2015	514,083	--	16,050	--	54,981	585,114
Officer and Treasurer	2014	584,621	--	3,236,526	82,917	57,581	3,961,645
Patricia B. Prichep,	2016	245,804	--	14,725	--	9,031	269,559
Senior Vice President	2015	235,702	--	14,128	--	6,906	256,736
of Operations and Secretary	2014	247,852	--	1,735,938	55,278	6,531	2,045,599
Eyal Talor, Ph.D.,	2016	303,597	--	9,600	--	6,031	319,227
Chief Scientific Officer	2015	290,983	--	9,600	--	6,031	306,613
	2014	283,283	--	1,731,290	55,278	6,031	2,075,882
Daniel Zimmerman, Ph.D.,	2016	228,413	--	13,708	37,081	6,031	285,233
Senior Vice President of	2015	219,026	--	13,148	52,003	6,031	290,209
Research, Cellular Immunology	2014	213,231	--	13,274	227,319	6,031	459,855
John Cipriano,	2016	211,405	--	--	--	31	211,437
Senior Vice President of	2015	202,718	--	--	--	31	202,749

Regulatory Affairs	2014	197,354	--	888,614	41,549	31	1,127,458

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(1)
The dollar value of base salary (cash and non-cash) earned. The officers of the Company received stock in lieu of salary increases in FY 2016 and 2015.

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

(3)
The fair value of the shares of restricted stock issued during the periods covered by the table is shown as compensation for services to the persons listed in the table. For all persons listed in the table, the shares were issued as CEL-SCI's contribution on behalf of the named officer who participates in CEL-SCI's 401(k) retirement plan and, by far the largest part, restricted shares issued from the 2014 Incentive Stock Bonus Plan that was voted on and passed by the shareholders at the annual meeting on July 22, 2014. These shares are not vested and are held in escrow. The shares will only be earned upon the achievement of certain milestones leading to the commercialization of CEL-SCI’s Multikine technology, or specified increases in the market price of CEL-SCI’S stock. If the performance or market criteria are not met as specified in the Incentive Stock Bonus Plan, all or a portion of the awarded shares will be forfeited. The value of all stock awarded during the periods covered by the table is calculated according to ASC 718-10-30-3 which represented the grant date fair value.

(4)
The fair value of all stock options granted during the periods covered by the table are calculated on the grant date in accordance with ASC 718-10-30-3 which represented the grant date fair value.

(5)
All other compensation received that CEL-SCI could not properly report in any other column of the table including the dollar value of any insurance premiums paid by, or on behalf of, CEL-SCI with respect to term life insurance for the benefit of the named executive officer and car allowances paid by CEL-SCI. Includes board of directors fees for Mr. de Clara and Mr. Kersten.

(6)
On August 31, 2016, Mr. de Clara resigned as President for personal health reasons.

Employee Pension, Profit Sharing or Other Retirement Plans

CEL-SCI has a defined contribution retirement plan, qualifying under Section 401(k) of the Internal Revenue Code and covering substantially all CEL-SCI’s employees. CEL-SCI’s contribution to the plan is made in shares of CEL-SCI's common stock. Each participant's contribution is matched by CEL-SCI with shares of common stock which have a value equal to 100% of the participant's contribution, not to exceed the lesser of $1,000 or 6% of the participant's total compensation. CEL-SCI's contribution of common stock is valued each quarter based upon the closing price of its common stock. The fiscal 2016 expenses for this plan were $168,262. Other than the 401(k) Plan, CEL-SCI does not have a defined benefit, pension plan, profit sharing or other retirement plan.

Compensation of Directors During Year Ended September 30, 2016

Name	Paid in Cash	Stock Awards (1)	Option Awards (2)	Total
Maximilian de Clara (3)	$40,000	-	$ 46,352	$86,352
Geert Kersten	$40,000	-	-	$40,000
Alexander Esterhazy (4)	$45,000	-	$ 46,352	$91,352
Peter R. Young	$50,000	-	$ 46,352	$96,352
Bruno Baillavoine	$45,000	-	$ 46,352	$91,352

(1)
The fair value of stock issued for services.

(2)
The fair value of options granted computed in accordance with ASC 718-10-30-3 on the date of grant which represents their grant date fair value.

(3)
On August 31, 2016, Mr. de Clara resigned as President for personal health reasons.

(4)
On August 30, 2017, Mr. Esterhazy passed away.

Directors’ fees paid to Maximilian de Clara and Geert Kersten are included in the Executive Compensation table.

On August 31, 2016 Maximilian de Clara resigned as an officer and director of the Company. In consideration for Mr. de Clara’s past services to the Company, the Company entered into a Termination Agreement with Mr. de Clara which provided for the following:

1.
The Company issued 26,000 restricted shares of its common stock to Mr. de Clara. The first 13,000 shares were issued promptly after August 31, 2016. Of the first 13,000 shares, none of the shares may be sold prior to February 28, 2017. Starting on February 28, 2017, each month the Company will remove the restrictive legend on 2,600 shares. The second 13,000 shares will be issued on August 31, 2017, but may not be sold prior to February 28, 2018. Starting on February 28, 2018, each month the Company will remove the restrictive legend on 2,600 shares. The foregoing procedure will continue until the restricted legend has been removed on all 26,000 shares.

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2.
All options held by Mr. de Clara vested as of August 31, 2016.

3.
Mr. de Clara’s existing coverage under the Company’s group health plan ended on August 31, 2016. However, Mr. de Clara may be eligible to elect temporary continuation coverage under the Company’s group health plan in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”). Mr. de Clara did elect to receive COBRA continuation coverage. Therefore, the Company will pay for COBRA coverage (such payments will not include COBRA coverage with respect to the Company’s Section 125 health care reimbursement plan) until February 28, 2018, or the maximum period permitted under COBRA if such period is less than eighteen months. If Mr. de Clara exhausts the applicable COBRA period prior to February 28, 2018, the Company will reimburse Mr. de Clara for the cost of an individual health insurance policy in an amount not to exceed the amount of the monthly COBRA premium previously paid by the Company.

The Termination Agreement was approved by the Company’s Compensation Committee.

Employment Contracts

Geert Kersten

On August 31, 2016, CEL-SCI entered into a three-year employment agreement with Geert Kersten, CEL-SCI’s Chief Executive Officer. The employment agreement with Mr. Kersten, which is essentially the same as Mr. Kersten’s prior employment agreement, as amended on August 30, 2013, provided that, during the term of the agreement, CEL-SCI would pay Mr. Kersten an annual salary of $559,052, plus any increases in proportion to salary increases granted to other senior executive officers of CEL-SCI, as well any increases approved by the Board of Directors during the period of the employment agreement.

During the employment term, Mr. Kersten will be entitled to receive any other benefits which are provided to CEL-SCI's executive officers or other full time employees in accordance with CEL-SCI's policies and practices and subject to Mr. Kersten’s satisfaction of any applicable condition of eligibility.

If Mr. Kersten resigns within ninety (90) days of the occurrence of any of the following events: (i) a reduction in Mr. Kersten’s salary (ii) a relocation (or demand for relocation) of Mr. Kersten’s place of employment to a location more than ten (10) miles from his current place of employment, (iii) a significant and material reduction in Mr. Kersten’s authority, job duties or level of responsibility or the imposition of significant and material limitations on the Mr. Kersten’s autonomy in his position, or (iv) a Change in Control, then the employment agreement will be terminated and Mr. Kersten will be entitled to receive a lump-sum payment from CEL-SCI equal to 24 months of salary ($1,118,104) and the unvested portion of any stock options would vest immediately ($590,329). For purposes of the employment agreement a change in the control of CEL-SCI means: (1) the merger of CEL-SCI with another entity if after such merger the shareholders of CEL-SCI do not own at least 50% of voting capital stock of the surviving corporation; (2) the sale of substantially all of the assets of CEL-SCI; (3) the acquisition by any person of more than 50% of CEL-SCI's common stock; or (4) a change in a majority of CEL-SCI's directors which has not been approved by the incumbent directors.

The employment agreement will also terminate upon the death of Mr. Kersten, Mr. Kersten's physical or mental disability, willful misconduct, an act of fraud against CEL-SCI, or a breach of the employment agreement by Mr. Kersten.

If the employment agreement is terminated for any of the foregoing, Mr. Kersten, or his legal representatives, as the case may be, will be paid the salary provided by the employment agreement through the date of termination, any options or bonus shares of CEL-SCI then held by Mr. Kersten will become fully vested and the expiration date of any options which would expire during the four year period following his termination of employment will be extended to the date which is four years after his termination of employment.

Patricia B. Prichep / Eyal Talor, Ph.D.

On August 31, 2016, CEL-SCI entered into a three-year employment agreement with Patricia B. Prichep, CEL-SCI's Senior Vice President of Operations. The employment agreement with Ms. Prichep, which is essentially the same as Ms. Prichep's prior employment agreement entered into on August 30, 2013 provided that, during the term of the agreement, CEL-SCI would pay Ms. Prichep an annual salary of $245,804 plus any increases approved by the Board of Directors during the period of the employment agreement.

On August 31, 2016, CEL-SCI entered into a three-year employment agreement with Eyal Talor, Ph.D., CEL-SCI's Chief Scientific Officer. The employment agreement with Dr. Talor, which is essentially the same as Dr. Talor's prior employment agreement entered into on August 30, 2013, provided that, during the term of the agreement, CEL-SCI would pay Dr. Talor an annual salary of $303,453 plus any increases approved by the Board of Directors during the period of the employment agreement.

If Ms. Prichep or Dr. Talor resigns within ninety (90) days of the occurrence of any of the following events: (i) a relocation (or demand for relocation) of employee's place of employment to a location more than ten (10) miles from the employee's current place of employment, (ii) a significant and material reduction in the employee's authority, job duties or level of responsibility or (iii) the imposition of significant and material limitations on the employee's autonomy in her or his position, the employment agreement will be terminated and the employee will be paid the salary provided by the employment agreement through the date of termination and the unvested portion of any stock options held by the employee will vest immediately.

In the event there is a change in the control of CEL-SCI, the employment agreements with Ms. Prichep and Dr. Talor allow Ms. Prichep and/or Dr. Talor (as the case may be) to resign from her or his position at CEL-SCI and receive a lump-sum payment from CEL-SCI equal to 18 months of salary ($368,706 and $455,180 respectively). In addition, the unvested portion of any stock options held by the employee will vest immediately ($108,010 and $108,010 respectively). For purposes of the employment agreements, a change in the control of CEL-SCI means: (1) the merger of CEL-SCI with another entity if after such merger the shareholders of CEL-SCI do not own at least 50% of voting capital stock of the surviving corporation; (2) the sale of substantially all of the assets of CEL-SCI; (3) the acquisition by any person of more than 50% of CEL-SCI's common stock; or (4) a change in a majority of CEL-SCI's directors which has not been approved by the incumbent directors.

The employment agreements with Ms. Prichep and Dr. Talor will also terminate upon the death of the employee, the employee's physical or mental disability, willful misconduct, an act of fraud against CEL-SCI, or a breach of the employment agreement by the employee. If the employment agreement is terminated for any of these reasons the employee, or her or his legal representatives, as the case may be, will be paid the salary provided by the employment agreement through the date of termination.

Compensation Committee Interlocks and Insider Participation

CEL-SCI has a compensation committee comprised of Mr. Alexander Esterhazy, Mr. Bruno Baillavoine and Dr. Peter Young, all of whom are independent directors.

During the year ended September 30, 2016, no director of CEL-SCI was also an executive officer of another entity, which had an executive officer of CEL-SCI serving as a director of such entity or as a member of the compensation committee of such entity.

Loan from Officer and Director

Between December 2008 and June 2009, CEL-SCI's President, and a director, Maximilian de Clara, loaned CEL-SCI $1,104,057. Between July 2009 and July 2015, the loan from Mr. de Clara bore interest at 15% per year. At Mr. de Clara's option, the loan was convertible into shares of CEL-SCI's common stock, determined by dividing the amount to be converted by $100.00. In accordance with the loan agreement, CEL-SCI issued Mr. de Clara warrants to purchase 6,593 shares of CEL-SCI's common stock at a price of $100.00 per share. These warrants expired on December 24, 2014. In consideration for an extension of the due date, Mr. de Clara received warrants to purchase 7,397 shares of CEL-SCI's common stock at a price of $125.00 per share. These warrants expired on January 6, 2015. In consideration of Mr. de Clara's agreement to subordinate his note to the convertible preferred shares and convertible debt as part of a prior year settlement agreement, CEL-SCI extended the maturity date of the note to July 6, 2015. In August 2014, the loan was transferred to the de Clara Trust, of which CEL-SCI's Chief Executive Officer, Geert Kersten, is the trustee and a beneficiary. Mr. de Clara continued to receive the interest payments.

On June 29, 2015, CEL-SCI extended the maturity date of the note to July 6, 2017, lowered the interest rate to 9% per year and changed the conversion price to $14.75, the closing stock price on the previous trading day. The new terms were effective July 7, 2015. Concurrently, CEL-SCI extended the expiration date of the Series N warrants to August 18, 2017.

On October 11, 2015, at the request of Lake Whillans Vehicle I, LLC, the note was extended for one year to July 6, 2018.

On January 12, 2016, CEL-SCI owed the de Clara Trust $1,105,989, which amount included accrued and unpaid interest. On January 13, 2016, the de Clara Trust demanded payment on the note payable. At the same time CEL-SCI sold 120,000 shares of its common stock and 120,000 Series X warrants to the de Clara Trust for approximately $1,100,000. Each warrant allows the de Clara Trust to purchase one share of CEL-SCI's common stock at a price of $9.25 per share at any time on or before January 13, 2021.

Stock Option, Bonus and Compensation Plans

CEL-SCI has Incentive Stock Option Plans, Non-Qualified Stock Option, Stock Bonus, Stock Compensation Plans and an Incentive Stock Bonus Plan. All Stock Option, Bonus and Compensation Plans have been approved by the stockholders. A summary description of these Plans follows. In some cases these Plans are collectively referred to as the "Plans".

Incentive Stock Option Plan. The Incentive Stock Option Plans authorize the issuance of shares of CEL-SCI's common stock to persons who exercise options granted pursuant to the Plans. Only CEL-SCI’s employees may be granted options pursuant to the Incentive Stock Option Plans.

Options may not be exercised until one year following the date of grant. Options granted to an employee then owning more than 10% of the common stock of CEL-SCI may not be exercisable by its terms after five years from the date of grant. Any other option granted pursuant to the Plans may not be exercisable by its terms after ten years from the date of grant.

The purchase price per share of common stock purchasable under an option is determined by the Committee but cannot be less than the fair market value of the common stock on the date of the grant of the option (or 110% of the fair market value in the case of a person owning more than 10% of CEL-SCI's outstanding shares).

Non-Qualified Stock Option Plans. The Non-Qualified Stock Option Plans authorize the issuance of shares of CEL-SCI's common stock to persons that exercise options granted pursuant to the Plans. CEL-SCI's employees, directors, officers, consultants and advisors are eligible to be granted options pursuant to the Plans, provided however that bona fide services must be rendered by such consultants or advisors and such services must not be in connection with sale a capital-raising transaction or promoting CEL-SCI’s common stock. The option exercise price is determined by CEL-SCI’s Board of Directors.

Stock Bonus Plan. Under the Stock Bonus Plans shares of CEL-SCI’s common stock may be issued to CEL-SCI's employees, directors, officers, consultants and advisors, provided however that bona fide services must be rendered by consultants or advisors and such services must not be in connection with a capital-raising transaction or promoting CEL-SCI’s common stock.

Stock Compensation Plan. Under the Stock Compensation Plan, shares of CEL-SCI’s common stock may be issued to CEL-SCI’s employees, directors, officers, consultants and advisors in payment of salaries, fees and other compensation owed to these persons. However, bona fide services must be rendered by consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction or promoting CEL-SCI’s common stock.

Incentive Stock Bonus Plan. Under the 2014 Incentive Stock Bonus Plan, shares of CEL-SCI’s common stock may be issued to executive officers and other employees who contribute significantly to the success of CEL-SCI, to participate in its future prosperity and growth and aligns their interests with those of CEL-SCI’s shareholders. The purpose of the Plan is to provide long term incentive for outstanding service to CEL-SCI and its shareholders and to assist in recruiting and retaining people of outstanding ability and initiative in executive and management positions.

Other Information Regarding the Plans. The Plans are administered by CEL-SCI's Compensation Committee (“the Committee”), each member of which is a director of CEL-SCI. The members of the Committee were selected by CEL-SCI's Board of Directors and serve for a one-year tenure and until their successors are elected. A member of the Committee may be removed at any time by action of the Board of Directors. Any vacancies which may occur on the Committee will be filled by the Board of Directors. The Committee is vested with the authority to interpret the provisions of the Plans and supervise the administration of the Plans. In addition, the Committee is empowered to select those persons to whom shares or options are to be granted, to determine the number of shares subject to each grant of a stock bonus or an option and to determine when, and upon what conditions, shares or options granted under the Plans will vest or otherwise be subject to forfeiture and cancellation.

In the discretion of the Committee, any option granted pursuant to the Plans may include installment exercise terms such that the option becomes fully exercisable in a series of cumulating portions. The Committee may also accelerate the date upon which any option (or any part of any options) is first exercisable. Any shares issued pursuant to the Stock Bonus Plan or Stock Compensation Plan and any options granted pursuant to the Incentive Stock Option Plan or the Non-Qualified Stock Option Plans will be forfeited if the "vesting" schedule established by the Committee administering the Plans at the time of the grant is not met. For this purpose, vesting means the period during which the employee must remain an employee of CEL-SCI or the period of time a non-employee must provide services to CEL-SCI. At the time an employee ceases working for CEL-SCI (or at the time a non-employee ceases to perform services for CEL-SCI), any shares or options not fully vested will be forfeited and cancelled. At the discretion of the Committee payment for the shares of common stock underlying options may be paid through the delivery of shares of CEL-SCI's common stock having an aggregate fair market value equal to the option price, provided such shares have been owned by the option holder for at least one year prior to such exercise. A combination of cash and shares of common stock may also be permitted at the discretion of the Committee.

Options are generally non-transferable except upon death of the option holder. Shares issued pursuant to the Stock Bonus Plans will generally not be transferable until the person receiving the shares satisfies the vesting requirements imposed by the Committee when the shares were issued.

The Board of Directors of CEL-SCI may at any time, and from time to time, amend, terminate, or suspend one or more of the Plans in any manner it deems appropriate, provided that such amendment, termination or suspension will not adversely affect rights or obligations with respect to shares or options previously granted.

Stock Options

The following tables show information concerning the options granted during the fiscal year ended September 30, 2016, to the persons named below:

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Options Granted

Name	Grant Date	Options Granted	Price Per Share	Expiration Date
Daniel Zimmerman	7/22/2016	4,000	$11.75	7/21/2026
Alexander Esterhazy (1)	7/22/2016	5,000	$11.75	7/21/2026
Peter Young	7/22/2016	5,000	$11.75	7/21/2026
Bruno Baillavoine	7/22/2016	5,000	$11.75	7/21/2026
Maximilian de Clara (2)	7/22/2016	5,000	$11.75	7/21/2026

(1)
On August 30, 2017, Mr. Esterhazy passed away.
(2)
On August 31, 2016, Mr. de Clara resigned as President for personal health reasons.

The following tables show information concerning the options cancelled and exercised during the fiscal year ended September 30, 2016, to the persons named below:

Options Cancelled

Employee	Total Options	Weighted Average Exercise Price	Weighted Avergage Remaining Contractual Term (Years)

None

Options Exercised

Name	Date of Exercise	Shares Acquired On Exercise	Value Realized

None

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The following lists the outstanding options held by the persons named below:

Name	Shares underlying unexercised Option which are: Exercisable	Unexercisable	Exercise Price	Expiration Date
Maximilian de Clara (3)	800		157.50	09/13/17
	800		155.00	03/04/18
	5,745		62.50	04/23/19
	2,000(2)		95.00	07/06/19
	1,000		95.00	07/20/19
	1,000		120.00	07/20/20
	1,000		172.50	04/14/21
	1,888		80.00	12/01/16
	1,500		97.50	05/17/22
	4,000		70.00	12/17/17
	1,500		52.50	06/30/23
	3,000		27.25	02/25/24
	4,000		27.50	08/05/24
	6,000		27.00	08/25/24
	5,000		16.50	06/21/25
	5,000		11.75	07/21/26
	44,233			

Name	Shares underlying unexercised Option which are: Exercisable	Unexercisable	Exercise Price	Expiration Date
Geert R. Kersten	800		157.50	09/13/17
	800		155.00	03/04/18
	7,354		62.50	04/23/19
	5,333		95.00	07/06/19
	1,200		95.00	07/20/19
	1,200		120.00	07/20/20
	1,200		172.50	04/14/21
	5,018		80.00	12/01/16
	1,800		97.50	05/17/22
	7,560		70.00	12/17/17
	7,822		70.00	12/17/22
	1,800		52.50	06/30/23
	2,400		27.25	02/25/24

	44,287			
		10,667(2)	95.00	07/06/19
		12,178	70.00	12/17/22
		1,200	27.25	02/25/24

		24,045		
Patricia B. Prichep	400		157.50	09/13/17
	400		155.00	03/04/18
	2,868		62.50	04/23/19
	4,000		95.00	07/06/19
	600		95.00	07/20/19
	600		120.00	07/20/20
	600		172.50	04/14/21
	1,541		80.00	12/01/16
	1,200		97.50	05/17/22
	2,320		70.00	12/17/17
	3,247		70.00	12/17/22
	1,200		52.50	06/30/23
	1,600		27.25	02/25/24

	20,577			
		8,000(2)	95.00	07/06/19
		2,753	70.00	12/17/22
		800	27.25	02/25/24

		11,553		

Name	Shares underlying unexercised Option which are: Exercisable	Unexercisable	Exercise Price	Expiration Date
Eyal Talor, Ph.D.	400		157.50	09/13/17
	400		155.00	03/04/18
	963(1)		62.50	04/23/19
	4,000(2)		95.00	07/06/19
	600		95.00	07/20/19
	600		120.00	07/20/20
	600		172.50	04/14/21
	1,111		80.00	12/01/16
	1,200		97.50	05/17/22
	1,497		70.00	12/17/17
	3,247		70.00	12/17/22
	1,200		52.50	06/30/23
	1,600		27.25	02/25/24

	17,418			
		8,000(2)	95.00	07/06/19
		2,753	70.00	12/17/22
		800	27.25	02/25/24

		11,553		
Daniel Zimmerman, Ph.D.	300		157.50	09/13/17
	300		155.00	03/04/18
	600		120.00	07/20/20
	600		172.50	04/14/21
	1,008		80.00	12/01/16
	900		97.50	05/17/22
	1,568		70.00	12/17/17
	900		52.50	06/30/23
	1,200		27.25	02/25/24
	5,333		27.50	08/05/24
	1,333		15.50	06/25/25

	14,043			
		600	27.25	02/25/24
		2,667	27.50	08/05/24
		2,667	15.50	06/25/25
		4,000	11.75	07/21/26

		9,933		

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Name	Shares underlying unexercised Option which are: Exercisable	Unexercisable	Exercise Price	Expiration Date
John Cipriano	300		157.50	09/13/17
	300		155.00	03/04/18
	600		120.00	07/20/20
	600		172.50	04/14/21
	64		80.00	12/01/16
	400		62.50	09/30/19
	900		97.50	05/17/22
	900		52.50	06/30/23
	1,200		27.25	02/25/24

	5,264			
		600	27.25	02/25/24

		600		

(1)
Options awarded to employees who did not collect a salary, or reduced or deferred their salary between September 15, 2008 and June 30, 2009. For example, Mr. Kersten and Ms. Prichep did not collect any salary between September 30, 2008 and June 30, 2009.

(2)
Long-term performance options: The Board of Directors has identified the successful Phase III clinical trial for Multikine to be the most important corporate event to create shareholder value. Therefore, one third of the options can be exercised when the first 400 patients are enrolled in CEL-SCI's Phase III head and neck cancer clinical trial. One third of the options can be exercised when all of the patients have been enrolled in the Phase III clinical trial. One third of the options can be exercised when the Phase III trial is completed. The grant-date fair value of these options awarded to the senior management of the Company amounts to $3.3 million in total.

(3)
On August 31, 2016, Mr. de Clara resigned as President for personal health reasons.

Summary. The following shows certain information as of September 30, 2016 concerning the stock options and stock bonuses granted by CEL-SCI. Each option represents the right to purchase one share of CEL-SCI's common stock.

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	26,448	97,278
	134,000	N/A	79,401	53,276

Stock Compensation Plan				
Incentive Stock Bonus Plan	640,000	N/A	624,000	16,000

Of the shares issued pursuant to CEL-SCI's Stock Bonus Plans, 44,328 shares were issued as part of CEL-SCI's contribution to its 401(k) plan.

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The following table shows the weighted average exercise price of the outstanding options granted pursuant to CEL-SCI's Incentive and Non-Qualified Stock Option Plans as of September 30, 2016, CEL-SCI's most recent fiscal year end. CEL-SCI's Incentive and Non-Qualified Stock Option Plans have been approved by CEL-SCI's shareholders.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans, Excluding SecuritiesReflected in Column (a)
Incentive Stock Option Plans	65,959	$74.25	60,453
Non-Qualified Stock Option Plans	277,613	$55.75	82,370

Long Term Incentive Plans - Awards in Last Fiscal Year

See footnote 7 to the financial statements included as part of this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table shows, as of December 1, 2016, information with respect to the only persons owning beneficially 5% or more of CEL-SCI's outstanding common stock and the number and percentage of outstanding shares owned by each director and officer of CEL-SCI and by the officers and directors as a group. Unless otherwise indicated, each owner has sole voting and investment powers over his shares of common stock.

Name and Address	Number of Shares (1)	Percent of Class (2)
Geert R. Kersten 8229 Boone Blvd., Suite 802 Vienna, VA 22182	774,118(3)	11.8%
Patricia B. Prichep 8229 Boone Blvd., Suite 802 Vienna, VA 22182	154,868	2.5%
Eyal Talor, Ph.D. 8229 Boone Blvd., Suite 802 Vienna, VA 22182	149,295	2.4%
Daniel H. Zimmerman, Ph.D. 8229 Boone Blvd., Suite 802 Vienna, VA 22182	20,366	0.3%

John Cipriano 8229 Boone Blvd., Suite 802 Vienna, VA 22182	70,973	1.1%
Alexander G. Esterhazy (4) 20 Chemin du Pre-Poiset CH- 1253 Vandoeuvres Geneve, Switzerland	15,389	0.2%
Peter R. Young, Ph.D. 208 Hewitt Drive, Suite 103-143 Waco, TX 76712	16,004	0.3%
Bruno Baillavoine 8229 Boone Blvd., Suite 802 Vienna, VA 22182	1,667	0.0%
All Officers and Directors as a Group (8 persons)	1,202,680	18.1%

(1)
Includes shares issuable prior to February 28, 2017 upon the exercise of options or warrants granted to the following persons:

Name	Options or Warrants Exercisable Prior to February 28, 2017
Geert R. Kersten, Esq.	297,289(3)
Patricia B. Prichep	22,753
Eyal Talor, Ph.D.	19,595
Daniel Zimmerman, Ph.D.	14,643
John Cipriano	5,864
Alexander G. Esterhazy	14,456
Peter R. Young, Ph.D.	14,813
Bruno Baillavoine	1,667

(2)
Amount includes shares referred to in (1) above but excludes shares which may be issued upon the exercise or conversion of other options, warrants and other convertible securities previously issued by CEL-SCI.

(3)
Amount includes shares held in trust for the benefit of Mr. Kersten's children and warrants held in the de Clara Trust, of which Mr. Kersten is the trustee and a beneficiary. Mr. Kersten is the stepson of Maximilian de Clara, CEL-SCI’s former president and director.

(4)
On August 30, 2017, Mr. Esterhazy passed away.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Item 7 of this report for information concerning modifications to the terms of a loan originally made by Maximilian de Clara, CEL-SCI's former President and director, and subsequently transferred to the de Clara Trust. Geert Kersten, CEL-SCI's Chief Executive Officer and a director, is the trustee and a beneficiary of the de Clara Trust.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

BDO USA, LLP served as CEL-SCI's independent registered public accountant for the two years ended September 30, 2016. The following table shows the aggregate fees billed to CEL-SCI for these years by BDO USA, LLP:

	Year Ended September 30,	
	2016	2015
Audit Fees	$311,000	$362,000
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-

Audit fees represent amounts billed for professional services rendered for the audit of CEL-SCI's annual financial statements and the reviews of the financial statements included in CEL-SCI's 10-Q reports for the fiscal year and all regulatory filings. See Note 1 to the financial statements included with this report for more information.

Before BDO USA, LLP was engaged by CEL-SCI to render audit or non-audit services, the engagement was approved by CEL-SCI's audit committee. CEL-SCI's Board of Directors is of the opinion that the Audit Fees charged by BDO USA, LLP are consistent with BDO USA, LLP maintaining its independence from CEL-SCI.

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ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

See the Financial Statements attached to this Report.

Exhibits

3(a)	Articles of Incorporation	Incorporated by reference to Exhibit 3(a) of CEL-SCI's combined Registration Statement on Form S-1 and Post-Effective Amendment ("Registration Statement"), Registration Nos. 2-85547-D and 33-7531.
3(b)	Amended Articles	Incorporated by reference to Exhibit 3(a) of CEL-SCI's Registration Statement on Form S-1, Registration Nos. 2-85547-D and 33-7531.
3(c)	Amended Articles (Name change only)	Filed as Exhibit 3(c) to CEL-SCI's Registration Statement on Form S-1 Registration Statement (No. 33-34878).
3(d)	Bylaws	Incorporated by reference to Exhibit 3(b) of CEL-SCI's Registration Statement on Form S-1, Registration Nos. 2-85547-D and 33-7531.
3(e)	Amended Bylaws	Incorporated by reference to Exhibit 3(ii) of CEL-SCI's report on Form 8-K dated March 16, 2015.
4	Shareholders Rights Agreement, as Amended	Incorporated by reference to Exhibit 4 filed with CEL-SCI's 10-K report for the year ended September 30, 2015.
4(b)	Incentive Stock Option Plan	Incorporated by reference to Exhibit 4 (b) filed on September 25, 2012 with the Company's registration statement on Form S¬8 (File number 333-184092.
4(c)	Non-Qualified Stock Option Plan	Incorporated by reference to Exhibit 4 (b) filed on August 19, 2014 with the Company's registration statement on Form S¬8 (File number 333-198244).
4(d)	Stock Bonus Plan	Incorporated by reference to Exhibit 4 (d) filed on September 25, 2012 with the Company's registration statement on Form S¬8 (File number 333-184092.
4(e)	Stock Compensation Plan	Incorporated by reference to Exhibit 4 (e) filed on September 25, 2012 with the Company's registration statement on Form S¬8 (File number 333-184092.
4(f)	2014 Incentive Stock Bonus Plan	Filed with this Amendment No. 2 to the Company's annual report on Form 10-K for the year ended September 30, 2014.

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10(f)	Securities Purchase Agreement (together with schedule required by Instruction 2 to Item 601 of Regulation S-K) pertaining to Series K notes and warrants, together with the exhibits to the Securities Purchase Agreement	Incorporated by reference to Exhibit 10 to CEL-SCI's report on Form 8-K dated August 4, 2006.
10(g)	Subscription Agreement (together with Schedule required by Instruction 2 toItem 601 of Regulation S-K) pertaining to April 2007 sale of 20,000,000 shares of CEL-SCI's common stock, 10,000,000 Series L warrants and 10,000,000 Series M Warrants	Incorporated by reference to Exhibit 10 of CEL-SCI's report on Form 8-K dated April 18, 2007
10(h)	Warrant Adjustment Agreement with Laksya Ventures	Incorporated by reference to Exhibit 10(i) of CEL-SCI's report on Form 8-K dated August 3, 2010
10(l)	First Amendment to Development Supply and Distribution Agreement with Orient Europharma.	Incorporated by reference to Exhibit 10(m) filed with CEL-SCI's 10-K report for the year ended September 30, 2010.
10(m)	Exclusive License and Distribution Agreement with Teva Pharmaceutical Industries Ltd.	Incorporated by reference to Exhibit 10(n) filed with CEL-SCI's 10-K report for the year ended September 30, 2010.
10(n)	Lease Agreement	Incorporated by reference to Exhibit 10(o) filed with CEL-SCI's 10-K report for the year ended September 30, 2010.
10(o)	Promissory Note with Maximilian de Clara, together with Amendments 1 and 2	Incorporated by reference to Exhibit 10(p) filed with CEL-SCI's 10-K report for the year ended September 30, 2010.
10(p)	Licensing Agreement with Byron Biopharma	Incorporated by reference to Exhibit 10(i) of CEL-SCI's report on Form 8-K dated March 27, 2009
10(z)	Development, Supply and Distribution Agreement with Orient Europharma	Incorporated by reference to Exhibit 10(z) filed with CEL-SCI's report on

		Form 10-K for the year ended September 30, 2003.
10(aa)	Securities Purchase Agreement and form of the Series F warrants, which is and exhibit to the Securities Purchase Agreement	Incorporated by reference to Exhibit 10(aa) of CEL-SCI's report on Form 8-K dated October 3, 2011.
10(bb)	Placement Agent Agreement	Incorporated by reference to Exhibit 10(bb) of CEL-SCI's report on Form 8-K dated October 3, 2011.
10(cc)	Securities Purchase Agreement, together with the form of the Series H warrant, which is an exhibit to the securities Purchase Agreement	Incorporated by reference to Exhibit 10(cc) of CEL-SCI's report on Form 8-K dated January 25, 2012.
10(dd)	Placement Agent Agreement	Incorporated by reference to Exhibit 10(dd) of CEL-SCI's report on Form 8-K dated January 25, 2012.

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10(ee)	Warrant Amendment Agreement, together with the form of the Series P warrant, which is an exhibit to the Warrant Amendment Agreement	Incorporated by reference to Exhibit 10(ee) of CEL-SCI's report on Form 8-K dated February 10, 2012.
10(ff)	Placement Agent Agreement	Incorporated by reference to Exhibit 10(ff) of CEL-SCI's report on Form 8-K dated February 10, 2012.
10(gg)	Securities Purchase Agreement and the form of the Series Q warrant, which is an exhibit to the Securities Purchase Agreement	Incorporated by reference to Exhibit 10(gg) of CEL-SCI's report on Form 8-K dated June 18, 2012.
10(hh)	Placement Agent Agreement	Incorporated by reference to Exhibit 10(hh) of CEL-SCI's report on Form 8-K dated June 18, 2012.
10 (ii)	Securities Purchase Agreement and the form of the Series R warrant, which is an exhibit to the Securities Purchase Agreement	Incorporated by reference to Exhibit 10(ii) of CEL-SCI's report on Form 8-K dated December 5, 2012.
10 (jj)	Placement Agent Agreement	Incorporated by reference to Exhibit 10(jj) of CEL-SCI's report on Form 8-K dated December 5, 2012.
10 (nn)	Underwriting Agreement, together with the form of Series S warrant which is an exhibit to the underwriting agreement	Incorporated by reference to Exhibit 1.1 of CEL-SCI's report on Form 8-K dated October 8, 2013.
10 (oo)	Underwriting Agreement, together with the form of Series S warrant which is an exhibit to the underwriting agreement	Incorporated by reference to Exhibit 1.1 of CEL-SCI's report on Form 8-K dated December 19, 2013.
10 (pp)	Underwriting Agreement, together with the form of Series T warrant which is an exhibit to the warrant agent agreement	Incorporated by reference to Exhibit 1.1 of CEL-SCI's report on Form 8-K dated April 15, 2014.
10 (qq)	Underwriting Agreement, together with the form of Series S warrant which is an exhibit to the warrant agent agreement	Incorporated by reference to Exhibit 1.1 of CEL-SCI's report on Form 8-K dated October 23, 2014.
10 (rr)	Assignment and Assumption Agreement with Teva Pharmaceutical Industries, Ltd. and GCP Clinical Studies, Ltd.	Incorporated by reference to Exhibit 10(rr) of CEL-SCI's report on Form 10-K/A report for the year ended September 30, 2014 dated April 17, 2015.
10 (ss)	Service Agreement with GCP Clinical Studies, Ltd., together with Amendment 1 thereto*	Incorporated by reference to Exhibit 10(ss) of CEL-SCI's first amendment to its Form 10-K

		report for the year ended September 30, 2014 dated April 17, 2015.
10 (tt)	Joinder Agreement with PLIVA Hrvatska d.o.o.	Incorporated by reference to Exhibit 10(tt) of CEL-SCI's first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.
10 (uu)	Master Service Agreement with Ergomed Clinical Research, Ltd., and Clinical Trial Orders thereunder	Incorporated by reference to Exhibit 10(uu) of CEL-SCI's first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.

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10 (vv)	Co-Development and Revenue Sharing Agreement with Ergomed Clinical Research Ltd., dated April 19, 2013, as amended	Incorporated by reference to Exhibit 10(vv) of CEL-SCI's first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.
10 (ww)	Co-Development and Revenue Sharing Agreement II: Cervical Intraepithelial Neoplasia in HIV/HPV co-infected women, with Ergomed Clinical Research Ltd., dated October 10, 2013, as amended	Incorporated by reference to Exhibit 10(ww) of CEL- first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.
10 (xx)	Co-Development and Revenue Sharing Agreement III: Anal warts and anal intraepithelial neoplasia in HIV/HPV co-infected patients, with Ergomed Clinical Research Ltd., dated October 24, 2013	Incorporated by reference to Exhibit 10(xx) of CEL-SCI's first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.
10 (yy)	Master Services Agreement with Aptiv Solutions, Inc.	Incorporated by reference to Exhibit 10(yy) of CEL-SCI's first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.
10 (zz)	Project Agreement Number 1 with Aptiv Solutions, Inc. together with Amendments 1 and 2 thereto*	Incorporated by reference to Exhibit 10(zz) of CEL-SCI's first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.
10 (aaa)	Second Amendment to Development Supply and Distribution Agreement with Orient Europharma	Incorporated by reference to Exhibit 10(aaa) of CEL-SCI's first amendment to its Form 10-K report for the year ended September 30, 2014 dated April 17, 2015.
10 (bbb)	Amended and Restated Promissory Note with Maximilian de Clara	Incorporated by reference to Exhibit 10(bbb) of CEL-SCI's report on Form 10-K/A report for the year ended September 30, 2014 dated April 17, 2015.
10 (ccc)	Placement Agent Agreement dated May 22, 2015 by and among CEL-SCI Corporation and Dawson James Securities, Inc.	Incorporated by reference to Exhibit 1.1 of CEL-SCI's report on Form 8-K filed on May 26, 2015.
10 (ddd)	Warrant Agent Agreement (as amended), Series V warrants	Incorporated by reference to Exhibit 10 (ccc) of CEL-SCI's report on Form 8-K filed on May 29, 2015.
10 (eee)	Assignment of Proceeds and Investment Agreement between CEL-SCI Corporation and Lake Whillans Vehicle 1.	Incorporated by reference to Exhibit 10 (ddd) of CEL-SCI's report on Form 8-K filed on October 16, 2015.

10 (fff)	Placement Agent Agreement dated October 22, 2015 by and among CEL-SCI Corporation and Dawson James Securities, Inc.	Incorporated by reference to Exhibit 1.1 of CEL-SCI's report on Form 8-K filed on October 23, 2015.
10 (ggg)	Warrant Agent Agreement, Series W warrants	Incorporated by reference to Exhibit 10 (eee) of CEL-SCI's report on Form 8-K filed on October 23, 2015.

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10 (iii)	Amendment to Co-Development and Revenue Sharing Agreement with Ergomed Clinical Research, Ltd., dated September 15, 2015	Incorporated by reference to Exhibit 10 (iii) filed with CEL-SCI's 10-K report for the year ended September 30, 2015.
10 (jjj)	Securities Purchase Agreement	Incorporated by reference to Exhibit 10(jjj) of CEL-SCI's report on Form 8-K dated May 19, 2016.
10 (kkk)	Securities Purchase Agreement	Incorporated by reference to Exhibit 10(kkk) of CEL-SCI's report on Form 8-K dated August 24, 2016.
10 (lll)	Termination Agreement with Maximilian de Clara	Incorporated by reference to Exhibit 10(lll) of CEL-SCI's report on Form 8-K dated September 2, 2016.
10 (mmm)	Employment Agreement with Geert Kersten (2016-2019)	Incorporated by reference to Exhibit 10(mmm) of CEL-SCI's report on Form 8-K dated September 2, 2016.
10 (nnn)	Employment Agreement with Patricia Prichep (2016-2019)	Incorporated by reference to Exhibit 10(nnn) of CEL-SCI's report on Form 8-K dated September 2, 2016.
10 (000)	Employment Agreement with Eyal Taylor (2016-2019)	Incorporated by reference to Exhibit 10(ooo) of CEL-SCI's report on Form 8-K dated September 2, 2016.
23.1	Consent of BDO USA, LLP	
31	Rule 13a-14(a) Certifications	
32	Section 1350 Certifications	

*

Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Commission under Rule 24b-2 of the Securities Exchange Act of 1934. The omitted confidential material has been filed separately with the Commission. The location of the omitted confidential information is indicated in the exhibit with asterisks (*)

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CEL-SCI CORPORATION

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
CEL-SCI Corporation
Vienna, Virginia

We have audited the accompanying balance sheets of CEL-SCI Corporation (the "Company") as of September 30, 2016 and 2015 and the related statements of operations, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended September 30, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEL-SCI Corporation at September 30, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the 2016, 2015, and 2014 financial statements have been restated to correct certain misstatements.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a history of net losses and expects to incur substantial losses for the foreseeable future that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CEL-SCI Corporation's internal control over financial reporting as of September 30, 2016 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated December 14, 2016, except as to the effect of the material weaknesses which is dated December 11, 2017, expressed an adverse opinion thereon.

/s/ BDO USA, LLP

McLean, Virginia
December 14, 2016, except for the effects of the restatement discussed in Note 17 which is as of December 11, 2017.

CEL-SCI CORPORATION
BALANCE SHEETS
SEPTEMBER 30, 2016 and 2015

ASSETS	RESTATED 2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,917,996	$ 5,726,682
Receivables	394,515	87,214
Prepaid expenses	981,677	979,655
Deposits - current portion	154,995	150,000
Inventory used for R&D and manufacturing	1,008,642	1,401,839
Total current assets	5,457,825	8,345,390
PROPERTY AND EQUIPMENT, net	17,350,836	17,945,831
PATENT COSTS, net	256,547	291,564
DEPOSITS	1,820,917	1,970,917
TOTAL ASSETS	$ 24,886,125	$ 28,553,702
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 3,091,512	$ 5,128,682
Accrued expenses	378,672	88,575
Due to employees	538,278	365,131
Notes payable	-	1,104,057
Other current liabilities	3,310	19,025
Total current liabilities	4,011,772	6,705,470
Derivative instruments	8,394,934	13,686,587
Lease liability	13,011,023	12,783,250
Deferred revenue	125,000	126,639
Other liabilities	22,609	14,026
Total liabilities	25,565,338	33,315,972
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; 6,235,035 and 4,490,975 shares issued and outstanding at September 30, 2016 and 2015, respectively	62,350	44,910
Additional paid-in capital	284,649,559	269,071,450

Accumulated deficit	(285,391,122)	(273,878,630)
Total stockholders' deficit	(679,213)	(4,762,270)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 24,886,125	$ 28,553,702

See notes to financial statements.

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CEL-SCI CORPORATION
STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 2016, 2015 and 2014

	RESTATED 2016	2015	2014
GRANT INCOME AND OTHER	$285,055	$657,377	$264,033
OPERATING EXPENSES:			
Research and development	17,445,382	19,191,750	15,266,189
General & administrative	6,486,501	13,855,775	10,665,558
Total operating expenses	23,931,883	33,047,525	25,931,747
OPERATING LOSS	(23,646,828)	(32,390,148)	(25,667,714)
GAIN ON DERIVATIVE INSTRUMENTS	14,013,726	282,616	248,767
LOSS ON DEBT EXTINGUISHMENT	-	(620,457)	-
INTEREST EXPENSE, NET	(1,879,390)	(1,964,221)	(1,933,732)
NET LOSS	(11,512,492)	(34,692,210)	(27,352,679)
ISSUANCE OF ADDITIONAL SHARES DUE TO RESET PROVISIONS	-	-	(1,117,447)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (11,512,492)	$ (34,692,210)	$ (28,470,126
NET LOSS PER COMMON SHARE			
BASIC	$ (2.37)	$ (10.51)	$ (12.10)
DILUTED	$ (2.37)	$ (10.51)	$ (12.21)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
BASIC and DILUTED	4,866,204	3,300,761	2,352,185

See notes to financial statements.

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CEL-SCI CORPORATION
STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
YEARS ENDED SEPTEMBER 30, 2016, 2015 and 2014

	Common Shares	Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total
ORIGINALLY REPORTED BALANCE, OCTOBER 1, 2013	1,237,553	$ 12,376	$ 218,848,282	$(212,160,568)	$6,700,090
ADJUSTMENT				326,827	326,827
RESTATED BALANCE, OCTOBER 1, 2013	1,237,553	12,376	218,848,282	(211,833,741)	7,026,917
Sale of common stock	1,270,220	12,702	28,434,544	-	28,447,246
Issuance of warrants in connection with sale of common stock	-	-	(7,791,448)	-	(7,791,448)
401(k) contributions paid in common stock	6,591	66	155,368	-	155,434
Exercise of warrants	106,740	1,067	4,279,251	-	4,280,318
Conversion of warrant liability to equity	-	-	1,308,528	-	1,308,528
Stock issued to nonemployees for service	23,199	232	626,886	-	627,118
Stock issued for patents	348	3	9,996	-	9,999
Modification of options issued to consultants	-	-	76,991	-	76,991
Issuance of restricted stock	628,000	6,280	(6,280)	-	-
Equity based compensation - employees	-	-	3,958,637	-	3,958,637
Equity based compensation - non-employees	-	-	36,752	-	36,752
Net loss - RESTATED	-	-	-	(27,352,679)	(27,352,679)
BALANCE, SEPTEMBER 30, 2014	3,272,651	32,726	249,937,507	(239,186,420)	10,783,813
Sale of common stock	1,178,716	11,787	21,136,591	-	21,148,378
Issuance of warrants in connection with sale of common stock	-	-	(8,463,957)	-	(8,463,957)
401(k) contributions paid in common stock	9,727	97	165,549	-	165,646
Stock issued to nonemployees for service	29,599	296	533,680	-	533,976
Modification of warrants and extinguishment loss	-	-	620,457	-	620,457
Forfeiture of unvested restricted stock	(4,000)	(40)	40	-	-
Equity based compensation - employees	4,282	43	5,105,784	-	5,105,827
Equity based compensation - non-employees	-	-	35,800	-	35,800
Net loss - RESTATED	-	-	-	(34,692,210)	(34,692,210)

BALANCE, SEPTEMBER 30, 2015	4,490,975	44,910	269,071,450	(273,878,630)	(4,762,270)
Sale of common stock	1,660,930	16,609	21,357,087	-	21,373,696
Issuance of warrants in connection with sale of common stock	-	-	(8,722,073)	-	(8,722,073)
401(k) contributions paid in common stock	16,340	163	161,408	-	161,571
Stock issued to nonemployees for service	49,953	500	689,813	-	690,313
Equity based compensation - employees	16,837	168	2,012,515	-	2,012,683
Equity based compensation - non-employees			79,359	-	79,359
Net loss - RESTATED	-	-	-	(11,512,492)	(11,512,492)
BALANCE, SEPTEMBER 30, 2016	6,235,035	$ 62,350	$ 284,649,559	$ (285,391,122)	$ (679,213)

See notes to financial statements.

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CEL-SCI CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016, 2015 and 2014

	RESTATED 2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (11,512,492)	$ (34,692,210)	$ (27,352,679)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	663,988	720,494	745,496
Issuance of common stock and options for services – non-employees	751,651	565,915	694,955
Modification of warrants issued to consultants	-	-	76,991
Equity based compensation	2,113,433	5,105,827	3,958,637
Common stock contributed to 401(k) plan	161,571	165,646	155,434
Impairment loss on abandonment of patents	-	-	1,182
Loss on retired equipment	248	313	268
Gain on derivative instruments	(14,013,726)	(282,616)	(248,767)
Loss on debt extinguishment	-	620,457	-
Capitalized lease interest	227,773	249,493	241,829
(Increase)/decrease in assets:			
Receivables	(1,960)	(5,394)	(7,557)
Prepaid expenses	15,999	(68,268)	(158,088)
Inventory used for R&D and manufacturing	393,197	50,181	(435,392)
Deposits	145,005	150,000	(200,000)
Increase/(decrease) in liabilities:			
Accounts payable	(2,389,931)	3,981,886	(751,971)
Accrued expenses	290,097	(458,633)	433,712
Deferred revenue	(1,639)	48	46
Due to employees	72,397	57,170	(78,376)
Deferred rent liability	1,896	6,358	(3,739)
Net cash used in operating activities	(23,082,493)	(23,833,333)	(22,928,019)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of equipment	(31,405)	(73,399)	(103,977)
Expenditures for patent costs	(2,819)	(20,132)	(34,887)
Net cash used in investing activities	(34,224)	(93,531)	(138,864)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock and warrants	21,420,301	21,148,378	28,428,641
Payment on related party loan	(1,104,057)		
Proceeds from exercise of warrants	-	-	3,118,387
Payments on obligations under capital lease	(8,213)	(8,452)	(8,137)
Net cash provided by financing activities	20,308,031	21,139,926	31,538,891

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,808,686)	(2,786,938)	8,472,008
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,726,682	8,513,620	41,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$2,917,996	$5,726,682	$8,513,620

See notes to financial statements.

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CEL-SCI CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016, 2015 and 2014

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

	RESTATED		
	2016	2015	2014
Receivable due under the litigation funding arrangement offset by the same amount payable to the legal firm providing the services	$305,341	$-	$-
Research and office equipment included in accounts payable at year end	$-	$(2,345)	$(1,074)
Capitalizable patent costs included in accounts payable at year end.	$-	$(11,685)	$4,474
Patent costs purchased with common stock	$-	$-	$9,999
Lease payments included in accounts payable at year end	$815	$43	$3,477
Fair value of warrant liabilities on the date of issuance reclassed to liabilities	$(8,722,073)	$(8,463,957)	$(5,320,989)
Financing costs included in accounts payable at year end	$46,605	$-	$-
Forfeiture of unvested restricted stock	$-	$1,000	$-
Stock issued under an anti-dilution provision and cashless exercise of warrants	$-	$-	$(16,375)
Prepaid amount under consulting services paid with issuance of common stock	$18,021	$3,861	$31,085

Cash paid for interest expense	$ 1,900,567	$ 1,969,499	$ 1,965,949

See notes to financial statements.

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CEL-SCI CORPORATION
NOTES TO FINANCIAL STATEMENTS

1.
ORGANIZATION

CEL-SCI Corporation (the Company) was incorporated on March 22, 1983, in the state of Colorado, to finance research and development in biomedical science and ultimately to engage in marketing and selling products.

CEL-SCI is focused on finding the best way to activate the immune system to fight cancer and infectious diseases. The Company's lead investigational therapy, Multikine (Leukocyte Interleukin, Injection), is currently in a Phase 3 clinical trial as a potential therapeutic agent directed at using the immune system to produce an anti-tumor immune response for advanced primary head and neck cancer. Data from Phase 1 and Phase 2 clinical trials suggest Multikine has the potential to directly affect tumor cells. These data also indicate that it appears to activate the patient's own anti-tumor immune response. Multikine (Leukocyte Interleukin, Injection) is the full name of this investigational therapy, which, for simplicity, is referred to in the remainder of this document 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. Further research is required, and early-phase clinical trial results must be confirmed in the Phase 3 clinical trial of this investigational therapy that is in progress and that is currently subject to a clinical hold on enrollment of additional new patients.

Multikine has been cleared by the regulators in twenty four countries around the world, including the U.S. FDA, for a global Phase 3 clinical trial in advanced primary (not yet treated) head and neck cancer patients. On September 26, 2016, the Company received verbal notice from the FDA that the Phase 3 clinical trial has been placed on clinical hold. The FDA's partial clinical hold letter identified the following specific deficiencies: there is an unreasonable and significant risk of illness or injury to human subjects; the investigator brochure is misleading, erroneous, and materially incomplete; and that the plan or protocol is deficient in design to meet its stated objectives. Pursuant to this communication from FDA, patients currently receiving study treatments could continue to receive treatment, and patients already enrolled in the study would continue to be followed, but no additional patients could be enrolled. On October 21, 2016, the Company announced it had received the Partial Clinical Hold letter from the FDA. On November 21, 2016, the Company announced it has submitted what it believes to be a complete response to the FDA. On December 8, 2016, the FDA advised CEL-SCI that the agency was denying CEL-SCI's request for a meeting at this time because FDA's review of CEL-SCI's November 17, 2016 response was ongoing. CEL-SCI was also advised that it will be receiving a letter addressing CEL-SCI's response by December 18, 2016. Multikine is also being used in a Phase 1 study at the University of California, San Francisco (UCSF) in HIV/HPV co-infected men and women with peri-anal warts.

2.
OPERATIONS AND FINANCING

The Company has incurred significant costs since its inception in connection with the acquisition of certain patented and unpatented proprietary technology and know-how relating to the human immunological defense system, patent applications, research and development, administrative costs, construction of laboratory facilities, and clinical trials. The Company has funded such costs with proceeds from loans and the public and private sale of its common and preferred stock.

The Company is currently running a large multi-national Phase 3 clinical trial for head and neck cancer. The Company believes that it has enough capital to support its operations as it believes that it has ready access to new equity capital should the need arise. During fiscal year 2016, the Company raised approximately $21.4 million in net proceeds through the sale of common stock and warrants from public and private offerings. During fiscal year 2015, the Company raised $21.1 million net proceeds from public offerings. To finance the study beyond the next 12 months, the Company plans to raise additional capital in the form of corporate partnerships, debt and/or equity financings. In addition, the Company expects to receive proceeds from the arbitration against its former clinical research organization, inVentiv. 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 or that funds will be available to the Company on acceptable terms or at all. If the Company does not raise the necessary capital, the Company 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 financial statements have been prepared assuming that the Company will continue as a going concern, but due to the Company's future liquidity needs, history of net losses, and the expectation that the Company will incur losses for the foreseeable future, 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 $34.5 million as of September 30, 2016 on direct costs for the Phase 3 clinical trial. The total remaining cash cost of the Phase 3 clinical trial, excluding any costs that will be paid by CEL-SCI's partners, would be approximately $12.1 million after September 30, 2016. This ís based on the executed contract costs with the CROs only and does not include other related costs, e.g. the manufacturing of the drug. 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. This number can be affected by the speed of enrollment, foreign currency exchange rates and many other factors, some of which cannot be foreseen. The Company has 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. Should the FDA allow the amended protocol filed with them to proceed, the remaining cost of the Phase 3 clinical trial will be higher. It is therefore possible that the cost of the Phase 3 clinical trial will be higher than currently estimated.

On September 26, 2016, the Company received verbal notice from the FDA that the Phase 3 clinical trial has been placed on clinical hold. Pursuant to this communication from FDA, patients currently receiving study treatments could continue to receive treatment, and patients already enrolled in the study would continue to be followed, but no additional patients could be enrolled. On October 21, 2016, the Company announced it had received the Partial Clinical Hold letter from the FDA. On November 21, 2016, the Company announced it has submitted a complete response to the FDA and will work diligently with the FDA to seek to have the partial clinical hold lifted.

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3.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents – For purposes of the statements of cash flows, cash and cash equivalents consist principally of unrestricted cash on deposit and short-term money market funds. The Company considers all highly liquid investments with a maturity when purchased of less than three months as cash and cash equivalents.
Prepaid Expenses – Prepaid expenses are payments for future services to be rendered and are expensed over the time period for which the service is rendered. Prepaid expenses may also include payment for goods to be received within one year of the payment date.

Inventory – Inventory consists of manufacturing production advances and bulk purchases of laboratory supplies to be consumed in the manufacturing of the Company's product for clinical studies. Inventories are stated at the lower of cost or market, where cost is determined using the first-in, first out method applied on a consistent basis.

Deposits – The deposits are required by the lease agreement for the manufacturing facility and by the clinical research organization (CRO) agreements.

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

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 to the asset value and period of amortization is made. An impairment loss is recognized when estimated future undiscounted cash flows expected to result from the use of the asset, and from disposition, are 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.

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.

Derivative Instruments - The Company has entered into financing arrangements that consist of freestanding derivative instruments that contain embedded derivative features, specifically, the settlement provisions in the warrant agreements preclude the warrants from being treated as equity. 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 on 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 re-measured at fair value at the end of each reporting period as long as they are outstanding.

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Grant Income – The Company's grant arrangements are handled on a reimbursement basis. Grant income under the arrangements is recognized when costs are incurred.

Research and Development Costs – Research and development expenditures are expensed as incurred.

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. Upon occupancy 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.

Net Loss Per Common Share – The Company calculates net loss per common share in accordance with ASC 260 “Earnings Per Share” (ASC 260). Basic and diluted net loss per common share was determined by dividing net loss applicable to common shareholders by the weighted average number of common shares outstanding during the period. The Company’s potentially dilutive shares, which include outstanding common stock options, restricted stock units, convertible preferred stock and common stock warrants, have not been included in the computation of diluted net loss per share for all periods as the result would be anti-dilutive.

Concentration of Credit Risk – Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents. The Company maintains its cash and cash equivalents with high quality financial institutions. At times, these accounts may exceed federally insured limits. The Company has not experienced any losses in such bank accounts. The Company believes it is not exposed to significant credit risk related to cash and cash equivalents. All non-interest bearing cash balances were fully insured up to $250,000 at September 30, 2016.

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 September 30, 2016 and 2015.

Use of Estimates – The preparation of financial statements in conformity U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, inventory obsolescence, accruals, stock options, useful lives for depreciation and amortization of long-lived assets, deferred tax assets and the related valuation allowance, and the valuation of derivative liabilities. Actual results could differ from estimates, although management does not generally believe such differences would materially affect the financial statements in any given year. However, in regard to the valuation of derivative liabilities determined using various valuation techniques including the Black-Scholes and binomial pricing methodologies, significant fluctuations may materially affect the financial statements in a given year. The Company considers such valuations to be significant estimates.

Fair Value Measurements – The Company evaluates financial assets and liabilities subject to fair value measurements in accordance with a fair value hierarchy to prioritize the inputs used to measure fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest. See Note 12 for the definition of levels and the classification of assets and liabilities in those levels.

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 may be measured using the Black-Scholes valuation model, based on the type of award. 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 Options 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 Company's stockholders.

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

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

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

Recent Accounting Pronouncements – In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) that will supersede virtually all recognition guidance in US GAAP. For public entities, the guidance is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for all entities for annual and interim periods beginning after December 15, 2016. The FASB issued the following ASUs to amend the new guidance: ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, and ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. Management does not expect the new standard or any of the related updates to have a material effect on its financial statements and related disclosures.

In January 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance is intended to improve the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for specific provisions within the guidance. Management does not expect the new standard to have a material effect on its financial statements and related disclosures.

In February 2016, the 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.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects of the accounting for share-based payment award transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The new standard will be effective for annual and interim periods, within those fiscal years, beginning after December 15, 2016 but early adoption is permitted. The Company is currently evaluating the effect of the new amendment on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 amends eight specific cash flow issues: 1.) Debt Prepayment or Debt Extinguishment Costs, 2.) Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing, 3.) Contingent Consideration Payments Made after a Business Combination, 4.) Proceeds from the Settlement of Insurance Claims, 5.) Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies, 6.) Distributions Received from Equity Method Investees, 7.) Beneficial Interests in Securitization Transactions, 8.) Separately Identifiable Cash Flows and Application of the Predominance Principle. Management does not expect the adoption of the amendments in this Update to have a material effect on its financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Management does not expect the adoption of the amendments in this Update to have a material effect on its financial statements and related disclosures.

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

4. WARRANTS AND NON-EMPLOYEE OPTIONS

The following chart represents the warrants and non-employee options outstanding at September 30, 2016:

Warrant	Issue Date	Shares Issuable upon Exercise of Warrant	Exercise Price	Expiration Date	Refer-ence
Series R	12/6/12	105,000	$ 100,00	12/6/16	1
Series S	10/11/13 -10/24/14	1,037,120	$ 31.25	10/11/18	1
Series U	4/17/14	17,821	$ 43.75	10/17/17	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	2
Series Y	2/15/16	26,000	$ 12.00	2/15/21	2
Series Z	5/23/16	264,000	$ 13.75	11/23/21	1
Series ZZ	5/23/16	20,000	$ 13.75	5/18/21	1
Series AA	8/26/16	200,000	$ 13.75	2/22/22	1
Series BB	8/26/16	16,000	$ 13.75	8/22/21	1
Series N	8/18/08	113,785	$ 13.18	8/18/17	2
Series P	2/10/12	23,600	$ 112.50	3/6/17	2
Consultants	12/2/11- 7/1/16	25,600	$ 9.25- $87.50	10/27/16- 6/30/19	3

The following chart represents the warrants and non-employee options outstanding at September 30, 2015:

Warrants	Issue Date	Shares Issuable upon Exercise of Warrants	Exercise Price	Expiration Date	Refer-ence
Series N	8/18/08	113,785	$ 13.18	8/18/17	1
Series Q	6/21/12	48,000	$ 125.00	12/22/15	1
Series R	12/6/12	105,000	$ 100.00	12/6/16	1
Series S	10/11/13- 10/24/14	1,037,120	$ 31.25	10/11/18	1
Series U	4/17/14	17,821	$ 43.75	10/17/17	1
Series V	5/28/15	810,127	$ 19.75	5/28/20	1
Series P	2/10/12	23,600	$ 112.50	3/6/17	2
Consultants	10/14/05 – 7/1/15	9,520	$ 16.50 – $500.00	10/14/15 - 6/30/18	3

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1.
Warrant Liabilities

The table below presents the warrants accounted for as derivative liabilities at September 30.

	2016	2015
Series S warrants	$3,111,361	$7,363,555
Series U warrants	-	44,551
Series V warrants	1,620,253	6,278,481
Series W warrants	1,799,858	-
Series Z warrants	970,604	-
Series ZZ warrants	70,609	-
Series AA warrants	763,661	-
Series BB warrants	58,588	-
Total derivative liabilities	$8,394,934	$13,686,587

The table below presents the gains and (losses) on the warrant liabilities for the years ended September 30:

Warrant Series	2016	2015	2014
Series A - E	$-	$6,105	$1
Series F and G	-	-	12,667
Series H	-	12,000	24,000
Series N	-	-	(1,404,027)
Series Q	-	12,000	36,000
Series R	-	157,500	131,250
Series S	4,252,193	(1,705,466)	1,098,787
Series T	-	-	276,122
Series U	44,552	75,738	73,967
Series V	4,658,228	1,724,739	-
Series W	3,260,913	-	-
Series Z	997,226	-	-
Series ZZ	75,229	-	-
Series AA	672,246	-	-
Series BB	53,139	-	-
Net gain	$14,013,726	$282,616	$248,767

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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 periods is recognized as a gain or loss in the statement of operations.

Expired warrants

As of September 30, 2015, all Series A, B, C, E, F, G, H, and Q warrants had expired.

Series R Warrants

On December 4, 2012, the Company sold 140,000 shares of its common stock for $10,500,000, or $75.00 per share, in a registered direct offering. The investors in this offering also received Series R warrants which entitle the investors to purchase up to 105,000 shares of the Company's common stock. The Series R warrants may be exercised at any time before December 6, 2016 at a price of $100.00 per share. The fair value at issuance of the warrants of $4.2 million was recorded as a warrant liability.

Series S Warrants

On October 11, 2013, the Company closed a public offering of 713,043 units of common stock and warrants at a price of $25.00 per unit for net proceeds of approximately $16.4 million, net of underwriting discounts and commissions and offering expenses of the Company. Each unit consisted of one share of common stock and one Series S warrant to purchase one share of common stock. The Series S warrants were immediately exercisable, expire on October 11, 2018, and have an exercise price of $31.25. In November 2013, the underwriters purchased an additional 105,957 warrants pursuant to the overallotment option, for which the Company received net proceeds of $24,370. The fair value at issuance of the Series S warrants of $6.1 million was recorded as a warrant liability.

On December 24, 2013, the Company closed a public offering of 190,476 units of common stock and warrants at a price of $15.75 per unit for net proceeds of approximately $2.8 million, net of underwriting discounts and commissions and offering expenses of the Company. Each unit consisted of one share of common stock and one Series S warrant to purchase one share of common stock. The underwriters purchased an additional 19,048 units of common stock and warrants pursuant to the overallotment option, for which the Company received net proceeds of approximately $279,000. The fair value at issuance of the Series S warrants of approximately $1.2 million was recorded as a warrant liability. On February 7, 2014, the Series S warrants began trading on the NYSE MKT under the symbol CVM WT.

On October 24, 2014, the Company closed an underwritten public offering of 315,789 shares of common stock and 78,947 Series S warrants to purchase shares of common stock. Additionally, on October 21, 2014, the Company sold 52,800 shares of common stock and 13,200 Series S warrants to purchase shares of common stock in a private offering. The common stock and Series S warrants were sold at a combined per unit price of $19.00 for net proceeds of approximately $6.4 million, net of underwriting discounts and commissions and offering expenses. The fair value at issuance of the Series S warrants of approximately $461,000 was added to the existing Series S warrant liability.

During the years ended September 30, 2016 and 2015, no Series S warrants were exercised. During the year ended September 30, 2014, 83,551 Series S Warrants were exercised, and the Company received proceeds of approximately $2.6 million.

Series T and U Warrants

On April 17, 2014, the Company closed a public offering of 285,129 shares of common stock at a price of $35.00 and 71,282 Series T warrants to purchase one share of common stock for net proceeds of approximately $9.2 million, net of underwriting commissions and offering expenses. The Series T warrants were immediately exercisable and had an exercise price of $39.50. On October 17, 2014, all of the Series T warrants expired. The underwriters received 17,821 Series U warrants to purchase one share of common stock. The Series U warrants were exercisable beginning October 17, 2014, expire on October 17, 2017, and have an exercise price of $43.75. The fair value at issuance of the Series T and U warrants of approximately $470,000 was recorded as a warrant liability.

Series V Warrants

On May 28, 2015, the Company closed an underwritten public offering of 810,127 shares of common stock and 810,127 Series V warrants to purchase shares of common stock. The common stock and Series V warrants were sold at a combined per unit price of $19.75 for net proceeds of approximately $14.7 million, net of underwriting discounts and commissions and offering expenses. The Series V warrants were immediately exercisable at a price of $19.75 and expire on May 28, 2020. The fair value at issuance of the Series V warrants of approximately $8.0 million was recorded as a warrant liability.

Series W Warrants

On October 28, 2015, the Company closed an underwritten public offering of 688,930 shares of common stock and 688,930 Series W warrants to purchase shares of common stock. The common stock and warrants were sold at a combined per unit price of $16.75 for net proceeds of approximately $10.5 million, net of underwriting discounts and commissions and offering expenses. The Series W warrants are immediately exercisable at a price of $16.75 and expire on October 28, 2020. The fair value at issuance of the Series W warrants of approximately $5.1 million was recorded as warrant liability.

Series Z and ZZ Warrants

On May 23, 2016, the Company closed a registered direct offering of 400,000 shares of common stock and 264,000 Series Z warrants to purchase shares of common stock. The common stock and warrants were sold at a combined per unit price of $12.50 for net proceeds of approximately $4.6 million, net of placement agent's commissions and offering expenses. The Series Z warrants may be exercised at any time on or after November 23, 2016 and on or before November 23, 2021 at a price of $13.75 per share. The Company also issued 20,000 Series ZZ warrants to the placement agent as part of its compensation. The Series ZZ warrants may be exercised at any time on or after November 23, 2016 and on or before May 18, 2021 at a price of $13.75 per share. The fair value of the Series Z and Series ZZ warrants of approximately $2.1 million on the date of issuance was recorded as a warrant liability.

Series AA and BB Warrants

On August 26, 2016, the Company closed a registered direct offering of 400,000 shares of common stock and 200,000 Series AA warrants to purchase shares of common stock. The common stock and warrants were sold at a combined per unit price of $12.50 for proceeds of approximately $4.5 million, net of placement agent's commissions and offering expenses. The series AA warrants may be exercised at any time after February 22, 2017 and on or before February 22, 2022 at a price of $13.75 per share. The Company also issued 16,000 Series BB warrants to the placement agent as part of its compensation. The Series BB warrants may be exercised at any time on or after February 22, 2017 and on or before August 22, 2021 at a price of $13.75 per share. The fair value of the Series AA and Series BB warrants of approximately $1.5 million on the date of issuance was recorded as a warrant liability.

2.
Equity Warrants

Series X Warrants

In January 2016, 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. The de Clara Trust is controlled by Geert Kersten, the Company's Chief Executive Officer and a director. Each Series X 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. The Series X warrants qualify for equity treatment in accordance with ASC 815. The relative fair value of the warrants was calculated to be approximately $417,000.

Series Y Warrants

On February 15, 2016, the Company sold 52,000 shares of its common stock and 26,000 Series Y warrants to a private investor for $624,000. Each Series Y warrant allows the holder to purchase one share of the Company's common stock at a price of $12.00 per share at any time on or before February 15, 2021. The Series Y warrants qualify for equity treatment in accordance with ASC 815. The relative fair value on the date of issuance of the warrants was calculated to be approximately $144,000.

Series N Warrants

Series N warrants were previously issued in connection with a financing. On October 11, 2013 and December 24, 2013, in connection with public offerings of common stock on those dates, the Company reset the exercise price of the 20,751 outstanding Series N warrants from $75.00 to $13.18 and issued the Series N warrant holders 97,306 additional warrants exercisable at $13.18, as required by the warrant agreements. In January 2014, the Company offered the investors the option to extend the Series N warrants by one year and allow for cashless exercise in exchange for cancelling the reset provision in the warrant agreement. One investor, holding 113,785 Series N warrants accepted this offer. Accordingly, these warrants are no longer considered a derivative liability due to the cancelation of the reset provision. The fair value of the warrants on that date totaled approximately $1.3 million and was reclassified from derivative liabilities to additional paid-in capital. On March 21, 2014, the other investor exercised 4,272 Series N warrants. The Company received cash proceeds of approximately $7,000 for 563 of the warrants exercised. The remaining 3,709 warrants were exercised in a cashless exercise. The fair value of the warrants on the date of exercise was $137,000 and was reclassified from derivative liabilities to additional paid-in capital.

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On October 28, 2014, the outstanding 113,785 Series N Warrants were transferred to the de Clara Trust, of which the Company’s CEO, Geert Kersten, is the trustee and a beneficiary. On June 29, 2015, the Company extended the expiration date of the Series N warrants to August 18, 2017. The incremental cost of this modification was approximately $475,000. The modification was concurrent with the extinguishment and reissuance of a note payable also held in the de Clara Trust, and was recorded as a loss on debt extinguishment.

As of September 30, 2016, the remaining 113,785 Series N warrants entitle the holder to purchase one share of the Company's common stock at a price of $13.18 per share at any time prior to August 18, 2017. On September 30, 2016 and 2015, no derivative liability was recorded because the warrants no longer were considered a liability for accounting purposes.

Series L and Series M Warrants

Series L and Series M warrants were previously issued in connection with a financing. In April 2014, 1,000 Series L warrants, with an exercise price of $187.50, expired. In April 2015, the remaining 2,800 of the Series L warrants, which had been repriced to $62.50 in April 2013, expired.

In October 2013, the Company reduced the exercise prices of the Series M warrants from $85.00 to $25.00 in exchange for a reduction in the number of warrants from 24,000 to 20,000. The additional cost of $76,991 was recorded as non-employee stock expense. In March 2014, 20,000 Series M warrants were exercised at a price of $25.00, and the Company received proceeds of $500,000.

Series P Warrants

On February 10, 2012, the Company issued 23,600 Series P warrants to purchase up to 23,600 shares of the Company’s common stock at a price of $112.50 per share as an inducement for the exercise of previously issued warrants. The Series P warrants are exercisable at any time prior to March 6, 2017.

3.
Options and Shares Issued to Consultants

The Company typically enters into consulting arrangements in exchange for common stock or stock options. During the years ended September 30, 2016 and 2015, the Company issued 49,953 and 29,599 shares of common stock, respectively, to consultants, of which 31,360 and 7,200, respectively, were restricted shares. Under these arrangements, the common stock was issued with stock prices ranging between $9.25 and $27.75 per share.

Additionally, during the years ended September 30, 2016 and 2015, the Company issued to consultants 16,400 and 3,600 options, respectively, to purchase common stock with exercise prices ranging from $9.25 to $25.50 per share and fair values ranging from $3.00 to $12.50 per share. 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 years ended September 30, 2016 and 2015, the Company recorded total expense of approximately $752,000 and $566,000, respectively, relating to these consulting agreements. At September 30, 2016 and 2015, approximately $48,000 and $30,000, respectively, are included in prepaid expenses. As of September 30, 2016, 25,600 options issued to consultants as payment for services remained outstanding, 17,600 of which are fully vested, and all of which were issued from the Non-Qualified Stock Option plans.

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5.
PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment consisted of the following at September 30:

	2016	2015
Manufacturing building	$ 21,183,756	$ 21,183,756
Research equipment	3,158,633	3,268,757
Furniture and equipment	133,499	141,347
Leasehold improvements	131,910	131,910
	24,607,798	24,725,770
Accumulated depreciation and amortization	(7,256,962)	(6,779,939)
Net plant, property and equipment	$ 17,350,836	$ 17,945,831

The Company is not the legal owner of the manufacturing building, but is deemed to be the owner for accounting purposes based on the accounting guidance for build-to-suit leases. See Note 10, Commitments and Contingencies – Lease Obligations for additional information. As of September 30, 2016 and 2015, accumulated depreciation on the manufacturing building is approximately $4.1 million and $3.5 million, respectively. Depreciation expense for the years ended September 30, 2016, 2015 and 2014 totaled approximately $626,000, $680,000 and $703,000, respectively. Depreciation expense includes depreciation on the leased manufacturing building of approximately $514,000, which is included in research and development costs on the Statement of Operations. One asset is recorded under capital lease with a net book value of $0 and approximately $8,000 on September 30, 2016 and 2015, respectively. Amortization of the capital lease asset is included in general and administrative expenses on the Statements of Operations.

6.
PATENTS

Patents consisted of the following at September 30:

	2016	2015
Patents	$1,528,610	$1,525,791
Accumulated amortization	(1,272,063.00)	(1,234,227.00)
Net Patents	$256,547	$291,564

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During the years ended September 30, 2016, 2015 there was no impairment of patent costs and a nominal impairment charge in 2014. Amortization expense for the years ended September 30, 2016, 2015 and 2014 totaled approximately $38,000, $40,000 and $43,000, respectively. The total estimated future amortization is as follows:

Years ending September 30,	
2017	$37,000
2018	36,000
2019	35,000
2020	31,000
2021	28,000
Thereafter	90,000
	$257,000

7.
INCOME TAXES

At September 30, 2016 and 2015, the Company had federal net operating loss carryforwards of approximately $170.8 million and $156.8 million, respectively. The NOLs begin to expire during the fiscal year ending September 30, 2019 and become fully expired by the end of the fiscal year ended 2036. In addition, the Company has a general business credit as a result of the credit for increasing research activities (“R&D credit”) of approximately $1.2 million at September 30, 2016 and 2015. The R&D credit begins to expire during the fiscal year ending September 30, 2020 and is fully expired during the fiscal year ended 2029. Deferred taxes consisted of the following at September 30:

	2016	2015
Net operating loss carryforwards	$64,366,000	$61,363,000
R&D credit	1,221,000	1,221,000
Stock-based compensation	6,379,000	5,855,000
Capitalized R&D	18,508,000	15,082,000
Vacation and other	179,000	114,000
Loan modification	-	57,000
Total deferred tax assets	90,653 ,000	83,692,000
Fixed assets and intangibles	(49,000)	(86,000)
Total deferred tax liabilities	(49,000)	(86,000)
Valuation allowance	(90,604,000)	(83,606,000)
Net deferred tax asset	$-	$-

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In assessing the realization of deferred tax assets, management considered whether it was more likely than not that some, or all, of the deferred tax asset will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income. Management has considered the history of the Company's operating losses and believes that the realization of the benefit of the deferred tax assets cannot be reasonably assured. In addition, under Internal Revenue Code Section 382, the Company's ability to utilize these net operating loss carryforwards may be limited or eliminated in the event of future changes in ownership.

The Company has no federal or state current or deferred tax expense or benefit. The Company's effective tax rate differs from the applicable federal statutory tax rate. The reconciliation of these rates is as follows at September 30:

	2016	2015	2014
Federal Rate	34.00%	34.00%	34.00%
State tax rate, net of federal benefit	3.92	5.12	5.15
State tax rate change	(22.00)	(0.15)	0.93
Other adjustments	(0.03)	(0.21)	0.00
Adjustment to deferreds	0.00	0.00	19.13
Permanent differences (1)	44.90	(0.71)	(0.43)
Change in valuation allowance	(60.79)	(38.05)	(58.78)
Effective tax rate	0.00%	0.00%	0.00%

(1) The 2016 amount is for the most part due to the approximate $14 million gain on derivative instruments from the change in fair value of the Company's warrant liabilities during the period.

The Company applies the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes," which requires financial statement benefits to be recognized for positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Company has elected to reflect any tax penalties or interest resulting from tax assessments on uncertain tax positions as a component of tax expense. The Company has generated federal net operating losses in tax years ending September 30, 1998 through 2015. These years remain open to examination by the major domestic taxing jurisdictions to which the Company is subject.

8.
STOCK COMPENSATION

The Company recognized the following expenses for options issued or vested and restricted stock awarded during the year:

	Year Ended September 30,		
	2016	2015	2014
Employees	$2,113,433	$5,105,827	$3,958,637
Non-employees	$751,651	$565,915	$771,946

Stock Compensation is included in general and administrative expenses. During the years ended September 30, 2016, 2015 and 2014, non-employee stock compensation excluded approximately $48,000, $30,000 and $26,000, respectively, for future services to be performed (Note 12).

During the years ended September 30, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions.

	2016	2015	2014
Expected stock price volatility	75.58 – 80.9%	73.38 – 86.19%	72.81 – 86.87%
Risk-free interest rate	0.71 – 1.56%	0.93 – 2.35%	0.59 – 2.65%
Expected life of options	3.0 – 9.69 Years	3.0 – 9.76 Years	3.0 – 9.76 Years
Expected dividend yield	-	-	-

Non-Qualified Stock Option Plans--At September 30, 2016, the Company has collectively authorized the issuance of 387,200 shares of common stock under its Non-Qualified Stock Option Plans. Options typically vest over a three-year period and expire no later than ten years after the grant date. Terms of the options are to be determined by the Company's Compensation Committee, which administers the plans. The Company's employees, directors, officers, and consultants or advisors are eligible to be granted options under the Non-Qualified Stock Option Plans.

Incentive Stock Option Plans--At September 30, 2016, the Company had collectively authorized the issuance of 138,400 shares of common stock under its Incentive Stock Option Plans. Options typically vest over a three-year period and expire no later than ten years after the grant date. Terms of the options were determined by the Company's Compensation Committee, which administers the plans. Only the Company's employees are eligible to be granted options under the Incentive Stock Option Plans.

Activity in the Company's Non-Qualified and Incentive Stock Option Plans for the two years ended September 30, 2016 is summarized as follows:

Non-Qualified and Incentive Stock Option Plans

	Outstanding				Exercisable			
	Number of Shares	Weighted Average Exercise Price	Weighted Ave Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Number of Shares	Weighted Average Exercise Price	Weighted Ave Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at October 1, 2014	273,246	$ 74.50	6.55	$3,600	137,755	$ 85.00	5.49	$3,600
Vested					46,134	$ 62.00		
Granted (a)	35,748	$ 16.50						
Exercised								
Forfeited	4,667	$ 46.75						
Expired	2,820	$ 103.75			2,820	$ 103.75		
Cancelled								
Outstanding at September 30, 2015	301,507	$ 67.75	5.98	$50	181,070	$ 78.75	5.01	$0
Vested					56,069	$ 31.75		
Granted (b)	48,544	$ 12.00						
Exercised								
Forfeited	2,240	$ 21.50						
Expired	4,240	$ 145.00			4,240	$ 145.00		
Cancelled								
Outstanding at September 30, 2016	343,571	$ 59.25	5.35	$0	232,898	$ 66.25	4.76	$0

(a)
Includes 90,000 stock options granted to consultants
(b)
Includes 410,000 stock options granted to consultants

A summary of the status of the Company's non-vested options for the two years ended September 30, 2016 is presented below:

	Number of Options	Weighted Average Grant Date Fair Value
Unvested at October 1, 2014	135,491	$ 53.75
Vested	(46,134)	
Granted	35,748	

Forfeited	(4,667)	
Unvested at September 30, 2015	120,438	$ 43.00
Vested	(56,069)	
Granted	48,544	
Forfeited	(2,240)	
Unvested at September 30, 2016	110,673	$ 37.00

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Incentive Stock Bonus Plan-- On July 22, 2014 the Company's shareholders approved the 2014 Incentive Stock Bonus Plan, authorizing the issuance of up to 640,000 shares in the Company’s Incentive Stock Bonus Plan. The shares will only be earned upon the achievement of certain milestones leading to the commercialization of the Company’s Multikine technology, or specified increases in the market price of the Company’s stock. If the performance or market criteria are not met as specified in the Incentive Stock Bonus Plan, all or a portion of the awarded shares will be forfeited. The fair value of the shares on the grant date was calculated using the market value on the grant-date for issuances where the attainment of performance criteria is likely and using a Monte Carlo simulation for issuances where the attainment of performance criteria is uncertain. The grant date fair value of shares issued that remain outstanding as of September 30, 2016 is approximately $8.6 million. The total value of the shares, if earned, is being expensed over the requisite service periods for each milestone, provided the requisite service periods are rendered, regardless of whether the market conditions are met. No compensation cost is recognized for awards where the requisite service period is not rendered. During the years ended September 30, 2016 and 2015, the Company recorded expense relating to the issuance of restricted stock pursuant to the plan of approximately $634,000 and $3.4 million, respectively. At September 30, 2016, the Company has unrecognized compensation expense of approximately $3.1 million which is expected to be recognized over a weighted average period of 5.03 years.

A summary of the status of the Company’s restricted stock units issued from the Incentive Stock Bonus Plan for the two years in the period ended September 30, 2016 is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at October 1, 2014	628,000	$13.75
Vested	(20,000)	
Granted	-	
Forfeited	(4,000)	
Unvested at September 30, 2015	604,000	$13.75
Vested	-	
Unvested at September 30, 2016	604,000	$13.75

Stock Bonus Plans -- At September 30, 2016, the Company was authorized to issue up to 223,760 shares of common stock under its Stock Bonus Plans. All employees, directors, officers, consultants, and advisors are eligible to be granted shares. During the year ended September 30, 2016, 16,340 shares were issued to the Company’s 401(k) plan for a cost of approximately $162,000. During the year ended September 30, 2015, 9,727 shares were issued to the Company’s 401(k) plan for a cost of approximately $166,000. During the year ended September 30, 2014, 6,591 shares were issued to the Company’s 401(k) plan for a cost of approximately $155,000. As of September 30, 2016, the Company has issued a total of 126,448 shares of common stock from the Stock Bonus Plans.

Stock Compensation Plans-- At September 30, 2016, 134,000 shares were authorized for use in the Company’s stock compensation plans. During the years ended September 30, 2016, 2015 and 2014, 18,593, 8,733 and 16,399 shares, respectively, were issued from the Stock Compensation Plans to consultants for payment of services at a cost of approximately $234,000, $147,000 and $439,000, respectively. During the year ended September 30, 2016 and 2015, 3,837 and 4,282 shares, respectively, were issued to employees from the Stock Compensation Plans as part of their compensation at a cost of approximately $45,000 and $58,000, respectively. No shares were issued to employees from the Stock Compensation Plans during the year ended September 30, 2014. As of September 30, 2016, the Company has issued 79,391 shares of common stock from the Stock Compensation Plans.

9.
EMPLOYEE BENEFIT PLAN

The Company maintains a defined contribution retirement plan, qualifying under Section 401(k) of the Internal Revenue Code, subject to the Employee Retirement Income Security Act of 1974, as amended, and covering substantially all Company employees. Each participant's contribution is matched by the Company with shares of common stock that have a value equal to 100% of the participant's contribution, not to exceed the lesser of $10,000 or 6% of the participant's total compensation. The Company's contribution of common stock is valued each quarter based upon the closing bid price of the Company's common stock. Total expense, including plan maintenance, for the years ended September 30, 2016, 2015 and 2014, in connection with this Plan was approximately $168,000, $170,000 and $160,000, respectively.

10. COMMITMENTS AND CONTINGENCIES

Clinical Research Agreements

In March 2013, the Company entered into an agreement with Aptiv Solutions to provide certain clinical research services in accordance with a master service agreement. The Company will reimburse Aptiv for costs incurred. 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 September 30, 2016, the total balance advanced is $300,000, of which $150,000 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 $19.2 million related to Ergomed's services. This amount is net of Ergomed's discount of approximately $6.3 million. During the years ended September 30, 2016, 2015 and 2014, the Company recorded, approximately $7.2 million, $6.7 million and $4.4 million, respectively, as research and development expense related to Ergomed's services. These amounts were net of Ergomed's discount of approximately $2.1 million, $2.4 million and $1.5 million, respectively, over the comparable periods.

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 UCSF for the development of Multikine as a potential treatment for peri-anal warts in HIV/HPV co-infected men and women. 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). On October 31, 2013, 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 ongoing Phase 3 clinical trial of Multikine. The arbitration claim, initiated under the Commercial Rules of the American Arbitration

Association, alleges (i) breach of contract, (ii) fraud in the inducement, and (iii) common law fraud. The Company is seeking at least $50 million in damages in its amended statement of claim. Based upon further analysis, however, the Company believes that its damages (direct and consequential) presently total over $150 million.

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 Company's 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. However, if 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 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 when the Company receives proceeds from the arbitration. During the year ended September 30, 2016, 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 hearing on the merits (the "trial") began on September 26, 2016.

Lease Agreements

The Company leases a manufacturing facility near Baltimore, Maryland under an operating lease (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 of 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 San Tomas 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 on September 30, 2016 and 2015.

Future minimum lease payments under the San Tomas lease as of September 30, 2016 are as follows:

Years ending September 30,	
2017	$ 1,687,000
2018	1,747,000
2019	1,808,000
2020	1,872,000
2021	1,937,000
Thereafter	15,762,000
Total future minimum lease obligation	24,813,000
Less imputed interest on financing obligation	(11,802,000)
Net present value of lease financing obligation	$ 13,011,000

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 sublease rent for the years ended September 30, 2016, 2015 and 2014 was approximately $67,000, $65,000 and $63,000, respectively, and is recorded in grant income and other in the statements of operations.

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The Company leases its research and development laboratory under a 60 month lease which expires February 28, 2017. In September 2016, the lease was extended through 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 $11,000 per month. As of September 30, 2016 and 2015, the Company has recorded a deferred rent liability of approximately $2,000 and $6,000, 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 September 30, 2016 and 2015, the Company has recorded a deferred rent liability of approximately $18,000 and $13,000, respectively.

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

Approximate future minimum annual lease payments due under non-cancelable operating leases, excluding the San Thomas, lease for the years ending after September 30, 2016 are as follows:

2017	$ 243,000
2018	251,000
2019	258,000
2020	238,000
2021	163,000
Thereafter	69,000
Total minimum lease payments:	$ 1,222,000

Rent expense, for the years ended September 30, 2016, 2015 and 2014, excluding the rent paid on the San Tomas lease was approximately $300,000. The Company’s three leases expire between June 2020 and October 2028.

Vendor Obligations

Further, the Company has contingent obligations with other vendors for work that will be completed in relation to the Phase 3 trial. The timing of these obligations cannot be determined at this time. The total remaining cash cost of the Phase 3 clinical trial, excluding any costs that will be paid by CEL-SCI's partners, would be approximately $12.1 million after September 30, 2016. This is based on the executed contract costs with the CROs only and does not include other related costs, e.g. the manufacturing of the drug. The Company has 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. Should the FDA allow the amended protocol filed with them to proceed, the remaining cost of the Phase 3 clinical trial will be higher.

11. RELATED PARTY TRANSACTIONS

Effective August 31, 2016, Maximilian de Clara, the Company's 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. The market value of the shares granted, including the accrued value of the shares to be issued in August 2017, totaled $253,500.

On January 13, 2016, the de Clara Trust demanded payment on the note payable, of which the balance, including accrued and unpaid interest, was $1,105,989. 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 the trustee and a beneficiary. 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.

Prior to the repayment, on June 29, 2015, the Company had extended the maturity date of the note to July 6, 2017, lowered the interest rate from 15% to 9% and changed the conversion price from $100.00 to $14.75, the closing stock price on the previous trading day. The Company determined these modifications to be substantive and accounted for the modification as an extinguishment of the pre-modification note and issuance of the post-modification note. The Company recorded an extinguishment loss and a premium on the note payable of approximately $166,000, which was credited to additional paid in capital. Concurrently, the Company extended the expiration date of the Series N warrants to August 18, 2017. The incremental cost of this modification was approximately $475,000 and was included in debt extinguishment loss on the note, for a total loss of approximately $620,000 during the year ended September 30, 2015.

During the years ended September 30, 2016, 2015 and 2014, the Company paid approximately $43,000, $146,000 and $179,000, respectively, in interest expense to Mr. de Clara.

12. STOCKHOLDERS' EQUITY

During the years ended September 30, 2016 and 2015, no warrants were exercised. During the year ended September 30, 2014, 107,822 Series M, N and S warrants were exercised. The Company issued 106,740 shares of common stock and received approximately $3.1 million from the exercise of these warrants since 3,709 Series N warrants were exercised in a cashless exercise.

On October 11, 2013, the Company closed a public offering of units of common stock and Series S warrants at a price of $25.00 per unit for net proceeds of $16.4 million, net of underwriting discounts and commissions. Each unit consisted of one share of common stock and a warrant to purchase one share of common stock. The warrants were immediately exercisable and expire on October 11, 2018, and have an exercise price of $31.25. In November 2013, the underwriters purchased an additional 105,957 warrants pursuant to the overallotment option, for which the Company received net proceeds of approximately $24,000.

On December 24, 2013, the Company closed a public offering of units of common stock and Series S warrants at a price of $15.75 per unit for net proceeds of approximately $2.8 million, net of underwriting discounts and commissions. Each unit consisted of one share of common stock and a warrant to purchase one share of common stock. The warrants are immediately exercisable and expire on October 11, 2018, and have an exercise price of $31.25. The underwriters exercised the option for the full 10% overallotment, for which the Company received net proceeds of approximately $279,000.

The October and December 2013 financings triggered the reset provision from the August 2008 financing which resulted in the issuance of an additional 62,523 shares of common stock. The cost of additional shares issued was approximately $1.1 million. This cost was recorded as a deemed a dividend.

On October 24, 2014, the Company closed an underwritten public offering of 315,789 shares of common stock and 78,947 Series S warrants to purchase shares of common stock. Additionally, in a related private offering on October 21, 2014, the Company sold 52,800 shares of common stock and 13,200 Series S warrants to purchase shares of common stock. The common stock and Series S warrants were sold at a combined price of $19.00 for net proceeds of approximately $6.4 million, net of offering expenses. The Series S warrants trade of the NYSE MKT under the symbol CVM WT.

On April 17, 2014, the Company closed a public offering of units consisting of 285,129 shares of common stock and Series T warrants to purchase an aggregate of 71,282 shares of common stock. The units were sold at a price of $35.00 per unit. The Company received net proceeds of approximately $9.1 million after deducting the underwriting commissions and offering expenses. The common stock and warrants separated immediately. The Series T warrants, with an exercise price of $39.50 per share, expired on October 17, 2014. The underwriters in the offering received 17,821 Series U warrants to purchase one share of common stock. The Series U warrants expire on October 17, 2017, and have an exercise price of $43.75.

On May 28, 2015, the Company closed an underwritten public offering of 810,127 shares of common stock and 810,127 Series V warrants to purchase shares of common stock. The common stock and Series V warrants were sold at a combined per unit price of $19.75 for net proceeds of approximately $14.7 million, net of underwriting discounts and commissions and offering expenses. The Series V warrants are immediately exercisable at a price of $19.75 and expire on May 28, 2020.

On October 28, 2015, the Company closed an underwritten public offering of 688,930 shares of common stock and 688,930 Series W warrants to purchase shares of common stock. The common stock and warrants were sold at a combined price of $16.75 for net proceeds of approximately $10.5 million, net of underwriting commissions and offering expenses. The warrants were immediately exercisable, expire October 28, 2020 and have an exercise price of $16.75.

On May 23, 2016, the Company closed a registered direct offering of 400,000 shares of common stock and 264,000 Series Z warrants to purchase shares of common stock. The common stock and warrants were sold at a combined per unit price of $12.50 for net proceeds of approximately $4.6 million, net of placement agent's commissions and offering expenses. The Series Z warrants may be exercised at any time on or after November 23, 2016 and on or before November 23, 2021 at a price of $13.75 per share. The Company also issued 20,000 Series ZZ warrants to the placement agent as part of its compensation. The Series ZZ warrants may be exercised at any time on or after November 23, 2016 and on or before May 18, 2021 at a price of $13.75 per share.

On August 26, 2016, the Company closed a registered direct offering of 400,000 shares of common stock and Series AA warrants to purchase up to 200,000 shares of common stock. Each share of common stock was sold together with a Series AA warrant to purchase one-half of a share of common stock for the combined purchase price of $12.50. Each warrant can be exercised at any time after February 22, 2017 and on or before February 22, 2022 at a price of $13.75 per share. The Company also issued 16,000 Series BB warrants to the placement agent as part of its compensation. The Series BB warrants may be exercised at any time on or after February 22, 2017 and on or before August 22, 2021 at a price of $13.75 per share. The Company received proceeds from the sale of Series AA and Series BB shares and warrants of approximately $4.5 million, net of placement agent's commissions and offering expenses

13. FAIR VALUE MEASUREMENTS

In accordance with the provisions of ASC 820, "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 about those future amounts.

ASC 820 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:

o
Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities
o
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
o
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 liabilities measured at fair value on a recurring basis, by input level, on the balance sheet at September 30, 2016:

	Quoted Prices in Active Markets for Identical 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 table below sets forth the liabilities measured at fair value on a recurring basis, by input level, on the balance sheet at September 30, 2015:

	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative Instuments	$ 7,365,555		$ 6,323,032	$ 13,686,587

The following sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3), as of September 30:

	2016	2015
Beginning balance	$6,323,032	$307,894
Issuances	8,722,073	8,003,220
Net realized and unrealized derivative gain	(9,761,532)	(1,988,082)
Ending balance	$5,283,573	$6,323,032

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. At September 30, 2016, the Company's Level 3 derivative instruments have a weighted average fair value of $0.10 per share and a weighted average exercise price of $0.86 per share. Fair values were determined using a weighted average risk free interest rate of 1.04% and 75% volatility.

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14. NET LOSS PER COMMON SHARE

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company's potentially dilutive shares, which include outstanding common stock options, common stock warrants, restricted stock and shares issuable on convertible debt, have not been included in the computation of diluted net loss per share for all periods presented, as the result would be anti-dilutive. For the years presented, the gain on derivative instruments is not included in net loss available to common shareholders for purposes of computing dilutive loss per share because its effect is anti-dilutive.

The following table provides a reconciliation of the numerators and denominators of the basic and diluted per-share computations:

	2016	2015	2014
Net loss available to common shareholders – Restated (1)	$ (11,512,492)	$ (34,692,210)	$ (28,470,126)
Less: Gain on derivative instruments	-	-	(248,767)
Net loss available to common shareholders – diluted (restated)	$ (11,512,492)	$ (34,692,210)	$ (28,718,893)
Weighted average number of shares - basic and diluted	4,866,204	3,300,761	2,352,185
Loss per share – basic (restated)	$ (2.37)	$ (10.51)	$ (12.10)
Loss per share – diluted (restated)	$ (2.37)	$ (10.51)	$ (12.21)

(1) See Note 17 Restatement

For the years ended September 30, 2016 and 2015, the gain on derivatives is not excluded from the numerator in calculating diluted loss per share because the gain relates to derivative warrants that were priced higher than the average market price during the period.

In accordance with the contingently issuable shares guidance of FASB ASC Topic 260, Earnings Per Share, the calculation of diluted net loss per share excludes the following dilutive securities because their inclusion would have been anti-dilutive as of September 30:

	2016	2015	2014
Options and Warrants	3,675,281	2,336,842	1,599,788
Convertible Debt	-	74,851	11,041
Unvested Restricted Stock	604,000	604,000	628,000
Total	4,279,281	3,015,693	2,238,829

15. SEGMENT REPORTING

ASC 280, "Disclosure about Segments of an Enterprise and Related Information" establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. This topic also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The Company's chief decision maker, as defined under this topic, is the Chief Executive Officer. To date, the Company has viewed its operations as principally one segment, the research and development of certain drugs and vaccines. As a result, the financial information disclosed herein materially represents all of the financial information related to the Company's principal operating segment.

16. QUARTERLY INFORMATION (UNAUDITED)

The following quarterly data are derived from the Company's restated statement of operations. See Note 17 for information concerning the Restatement of the Company's financial statements.

Financial Data

Fiscal 2016 (restated)

	Three months ended December 31, 2015	Three months ended March 31, 2016	Three months ended June 30, 2016	Three months ended September 30, 2016	Year ended September 30, 2016
Grant and other income	$20,976	$32,775	$129,975	$101,329	$285,055
Operating expenses	5,327,509	5,829,779	6,036,123	6,738,472	23,931,883
Non-operating (expenses) income, net	(483,693)	(464,796)	(464,202)	(466,699)	(1,879,390)
Gain (loss) on derivatives	8,122,960	(2,593,730)	2,508,744	5,975,752	14,013,726
Net income (loss) available to common shareholders	$2,332,734	$(8,855,530)	$(3,861,606)	$(1,128,090)	$(11,512,492)
EPS (LPS) - basic and diluted	$0.53	$(1.87)	$(0.78)	$(0.21)	$(2.37)
Weighted average shares:					
Basic	4,390,740	4,736,809	4,965,300	5,371,635	4,866,204
Diluted	4,465,591	4,736,809	4,965,300	5,371,635	4,866,204

Fiscal 2015 (restated)

	Three months ended December 31, 2014	Three months ended March 31, 2015	Three months ended June 30, 2015	Three months ended September 30, 2015	Year ended September 30, 2015
Grant and other income	$136,838	$197,620	$389,223	$(66,304)	$657,377
Operating expenses	9,655,979	7,480,363	8,114,099	7,797,084	33,047,525
Non-operating (expenses) income, net	(490,812)	(494,156)	(497,040)	(482,213)	(1,964,221)
Gain (loss) on derivatives	2,162,970	(4,782,796)	4,428,780	(1,526,338)	282,616
Loss on debt extinguishment	-	-	(620,457)	-	(620,457)
Net loss available to common shareholders	$ (7,846,983)	$ (12,559,695)	$ (4,413,593)	$ (9,871,939)	$ (34,692,210)
LPS - basic	$ (2.68)	$ (4.14)	$ (1.32)	$ (2.54)	$ (10.51)
LPS - diluted	$ (3.42)	$ (4.14)	$ (1.62)	$ (2.54)	$ (10.51)
Weighted average shares:					
Basic	2,930,431	3,033,915	3,351,852	3,881,600	3,300,761
Diluted	2,930,431	3,033,915	3,405,364	3,881,600	3,300,761

The Company has experienced large swings in its quarterly gains and losses caused by the changes in the fair value of warrants each quarter. The results of the restatement did not impact loss per share for any of the periods presented except for the effects of the 1:25 reverse stock split.

17. RESTATEMENT

The Company has restated its previously issued 2016, 2015 and 2014 financial statements to correct an error in the way it accounted for a lease entered into in October 2008. 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 correction 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.

Accordingly, the historical financial statements in this report have been restated. The accompanying financial statements for the three years in the period ended September 30, 2016 have been restated to reflect the correction of the error for the lease accounting. Accumulated deficit at October 1, 2013, was reduced by $326,827.

On June 12, 2017, the Company’s shareholders approved a reverse split of the Company’s common stock which became effective on the NYSE American on June 15, 2017. On that date, every twenty five issued and outstanding shares of the Company’s common stock automatically converted into one outstanding share. As a result of the reverse stock split, the number of the Company’s outstanding shares of common stock decreased from 230,127,331 (pre-split) shares to 9,201,645 (post-split) shares. In addition, by reducing the number of the Company’s outstanding shares, the Company’s loss per share in all prior periods will increase by a factor of twenty five. The reverse stock split affected all stockholders of the Company’s common stock uniformly, and did not affect any stockholder’s percentage of ownership interest. The par value of the Company’s stock remained unchanged at $0.01 per share and the number of authorized shares of common stock remained the same after the reverse stock split.

As the par value per share of the Company’s common stock remained unchanged at $0.01 per share, a total of $2,204,938 was reclassified from common stock to additional paid-in capital. In connection with this reverse stock split, the number of shares of common stock reserved for issuance under the Company’s incentive and non-qualified stock option plans, as well as the shares of common stock underlying outstanding stock options and warrants, were also proportionately reduced while the exercise prices of such stock options and warrants were proportionately increased. All references to shares of common stock and per share data for all periods presented in the accompanying financial statements and notes thereto have been adjusted to reflect the reverse stock split on a retroactive basis.

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The following is a summary of the restatements for 2016:

	9/30/2016 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, September 30, 2016	(956,068)	276,855	(679,213)

Balance Sheet	9/30/2015 PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Total current assets	$ 8,833,183	$ (487,793)	$ 8,345,390
Other assets	6,614,420	13,593,892	20,208,312
Total assets	15,447,603	13,106,099	28,553,702
Total liabilities	20,532,722	12,783,250	33,315,972
Stockholders' deficit, September 30, 2015	(5,085,119)	322,855	(4,762,270)

	YEAR ENDED 9/30/2016 PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Research and development expenses	$ 19,351,779	$ (1,906,397)	$ 17,445,382
Total operating expenses	25,838,280	(1,906,397)	23,931,883
Operating loss	(25,553,225)	1,906,397	(23,646,828)
Interest income (expense), net	73,001	(1,952,391)	(1,879,390)
Net loss	(11,466,498)	(45,994)	(11,512,492)
Net loss per common share, basic and diluted	$ (2.36)		$ (2.37)

	YEAR ENDED 9/30/2015 PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Research and development expenses	$ 21,098,147	$ (1,906,397)	$ 19,191,750
Total operating expenses	34,953,922	(1,906,397)	33,047,525
Operating loss	(34,296,545)	1,906,397	(32,390,148)
Interest income (expense), net	(40,260)	(1,923,961)	(1,964,221)
Net loss	(34,674,646)	(17,564)	(34,692,210)
Net loss per common share, basic and diluted	$ (10.51)		$ (10.51)

	YEAR ENDED 9/30/2014 PREVIOUSLY REPORTED	ADJUSTMENT	RESTATED
Research and development expenses	$ 17,172,587	$ (1,906,398)	$ 15,266,189
Total operating expenses	27,838,145	(1,906,398)	25,931,747

Operating loss	(27,574,112)	1,906,398	(25,667,714)
Interest income (expense), net	(40,920)	(1,892,812)	(1,933,732)
Net loss	(27,366,265)	13,586	(27,352,679)
Net loss per common share, basic	$ (12.11)		$ (12.10)
Net loss per common share, diluted	$ (12.22)		$ (12.21)

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	Accumulated Deficit	Total Stockholders' Equity (Deficit)
PREVIOUSLY REPORTED, OCTOBER 1, 2013	$ (212,160,568)	$ 6,700,090
ADJUSTMENT	326,827	326,827
RESTATED BALANCE, OCTOBER 1, 2013	(211,833,741)	7,026,917
2014 equity transactions - unchanged	-	31,109,575
Net loss – RESTATED	(27,352,679)	(27,352,679)
BALANCE, SEPTEMBER 30, 2014	(239,186,420)	10,783,813
2015 equity transactions - unchanged	-	19,146,127
Net loss - RESTATED	(34,692,210)	(34,692,210)
BALANCE, SEPTEMBER 30, 2015	(273,878,630)	(4,762,270)
2016 equity transactions - unchanged	-	15,595,549
Net loss - RESTATED	(11,512,492)	(11,512,492)
BALANCE, SEPTEMBER 30, 2016	$ (285,391,122)	$ (679,213)

18. SUBSEQUENT EVENTS

In accordance with ASC 855, “Subsequent Events”, the Company has reviewed subsequent events through the date of the filing.

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 68,480 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 $3.8 million, excluding any future proceeds that may be received from the exercise of the warrants.

On December 9, 2016, the Company reported on a communication received from the staff of the NYSE MKT, its current listing exchange, that it considered the Company to be noncompliant with certain listing requirements based on its quarterly report for the period ended June 30, 2016. The Company has been given the opportunity to maintain its listing by submitting a plan of compliance by January 9, 2017. This plan must advise of actions the company has taken or will take to regain compliance with the continued listing standards by June 11, 2018. The Company intends to submit such a plan by January 9, 2017. The communication and compliance plan has no current effect on the listing of the Company's shares on the exchange. If the plan is not acceptable or the Company does not make sufficient progress under the plan or reestablish compliance by June 11, 2018, then staff of the exchange may initiate proceedings for delisting from the NYSE MKT. The Company may then appeal a staff determination to initiate such proceedings in accordance with the exchange's Company Guide.

SIGNATURES

In accordance with Section 13 or 15(a) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on the 11th day of December 2017.

CEL-SCI CORPORATION

By: /s/ Geert R. Kersten
Geert R. Kersten, Chief Executive Officer

Pursuant to the requirements of the Securities Act of l934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Geert R. Kersten Geert R. Kersten	Chief Executive, Principal Accounting, Principal Financial Officer and a Director	December 11, 2017
/s/Peter R. Young Dr. Peter R. Young	Director	December 11, 2017
/s/ Bruno Baillavoine	Director	December 11, 2017

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