

CEL SCI CORP
Form 10-Q
August 09, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____ to _____

Commission File Number 001-11889

CEL-SCI CORPORATION

Colorado
State or other jurisdiction incorporation

84-0916344
(IRS) Employer Identification Number

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

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

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

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

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

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

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

| Class of Stock | No. Shares Outstanding | Date |
|----------------|------------------------|----------------|
| Common | 212,754,415 | August 3, 2011 |

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ITEM 1. FINANCIAL STATEMENTS

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

| ASSETS | June 30, 2011 | September 30, 2010 |
|---|---------------------|-----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$10,576,078 | \$26,568,243 |
| Receivables | 414,126 | - |
| Prepaid expenses | 2,290,315 | 298,719 |
| Inventory used for R&D and manufacturing | 1,578,260 | 1,476,234 |
| Deferred rent - current portion | 715,806 | 751,338 |
| Total current assets | 15,574,585 | 29,094,534 |
| RESEARCH AND OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS-- | | |
| Less accumulated depreciation of \$2,964,161 and \$2,626,759 | 1,097,679 | 1,264,831 |
| PATENT COSTS- less accumulated amortization of \$1,267,104 and \$1,205,690 | | |
| | 434,101 | 356,079 |
| RESTRICTED CASH | - | 21,357 |
| DEFERRED RENT - net of current portion | 6,635,686 | 7,068,184 |
| TOTAL ASSETS | \$23,742,051 | \$37,804,985 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$1,274,264 | \$1,497,383 |
| Accrued expenses | 196,236 | 223,696 |
| Due to employees | 5,582 | 45,808 |
| Related party loan | 1,104,057 | 1,104,057 |
| Convertible notes | 4,929,000 | - |
| Convertible preferred stock - 3,033 shares outstanding | 3,043,000 | - |
| Derivative instruments - current portion | 469,249 | 424,286 |
| Total current liabilities | 11,021,388 | 3,295,230 |
| Derivative instruments - net of current portion | 3,405,969 | 6,521,765 |
| Deferred revenue | 125,000 | 125,000 |
| Deferred rent | 6,035 | 8,225 |
| Total liabilities | 14,558,392 | 9,950,220 |
| COMMITMENTS AND CONTINGENCIES | | |

STOCKHOLDERS' EQUITY

| | | |
|--|---------------------|---------------------|
| Preferred stock, \$.01 par value; authorized, 200,000 shares; no shares issued and outstanding | - | - |
| Common stock, \$.01 par value; authorized, 450,000,000 shares; issued and outstanding, 210,584,868 and 204,868,853 shares at June 30, 2011 and September 30, 2010, respectively | 2,105,849 | 2,048,689 |
| Additional paid-in capital | 192,272,589 | 187,606,044 |
| Accumulated deficit | (185,194,779) | (161,799,968) |
| Total stockholders' equity | 9,183,659 | 27,854,765 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$23,742,051 | \$37,804,985 |

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

| | For the Nine Months Ended June 30, | |
|---|---------------------------------------|----------------------|
| | 2011 | 2010 |
| REVENUE: | | |
| Rent income | \$- | \$91,500 |
| Grant and other income | 784,036 | - |
| Total revenue | 784,036 | 91,500 |
| EXPENSES: | | |
| Research and development, excluding depreciation of \$359,343 and \$316,575 included below | 9,231,296 | 7,733,544 |
| Depreciation and amortization | 434,436 | 377,458 |
| General and administrative | 5,407,782 | 4,947,764 |
| Foreign exchange gain | (30,704) | - |
| Total expenses | 15,042,810 | 13,058,766 |
| LOSS FROM OPERATIONS | (14,258,774) | (12,967,266) |
| OTHER EXPENSES | (12,000,000) | - |
| GAIN ON DERIVATIVE INSTRUMENTS | 2,879,003 | 30,614,451 |
| INTEREST INCOME | 134,002 | 287,613 |
| INTEREST EXPENSE | (149,042) | (120,924) |
| NET (LOSS) INCOME BEFORE INCOME TAXES | (23,394,811) | 17,813,874 |
| INCOME TAX PROVISION | - | - |
| NET (LOSS) INCOME | (23,394,811) | 17,813,874 |
| MODIFICATION OF WARRANTS | (1,068,369) | (1,432,456) |
| NET (LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS | \$(24,463,180) | \$16,381,418 |
| NET (LOSS) INCOME PER COMMON SHARE-BASIC | \$(0.12) | \$0.08 |
| NET LOSS PER COMMON SHARE-DILUTED | \$(0.12) | \$(0.02) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-BASIC | 206,860,979 | 201,208,121 |
| WEIGHTED AVERAGE COMMON | | |

| | | |
|----------------------------|-------------|-------------|
| SHARES OUTSTANDING-DILUTED | 206,860,979 | 228,443,595 |
|----------------------------|-------------|-------------|

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

| | For the Three Months Ended June 30, | |
|---|--|---------------------|
| | 2011 | 2010 |
| REVENUE: | | |
| Rent income | \$- | \$30,900 |
| Grant and other income | 77,403 | - |
| Total revenue | 77,403 | 30,900 |
| EXPENSES: | | |
| Research and development, excluding depreciation of \$123,519 and \$113,146 included below | 2,924,771 | 1,587,520 |
| Depreciation and amortization | 148,148 | 134,574 |
| General and administrative | 1,862,328 | 1,702,865 |
| Foreign exchange gain | (12,100) | - |
| Total expenses | 4,923,147 | 3,424,959 |
| LOSS FROM OPERATIONS | (4,845,744) | (3,394,059) |
| OTHER EXPENSES | - | - |
| GAIN ON DERIVATIVE INSTRUMENTS | 1,763,311 | 2,754,512 |
| INTEREST INCOME | 34,416 | 79,825 |
| INTEREST EXPENSE | (66,238) | (41,402) |
| NET LOSS BEFORE INCOME TAXES | (3,114,255) | (601,124) |
| INCOME TAX PROVISION | - | - |
| NET LOSS | (3,114,255) | (601,124) |
| MODIFICATION OF WARRANTS | - | - |
| NET LOSS AVAILABLE TO COMMON SHAREHOLDERS | \$(3,114,255) | \$(601,124) |
| NET LOSS PER COMMON SHARE-BASIC | \$(0.01) | \$0.00 |
| NET LOSS PER COMMON SHARE-DILUTED | \$(0.02) | \$(0.01) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-BASIC | 208,402,408 | 204,592,051 |
| WEIGHTED AVERAGE COMMON | | |

| | | |
|----------------------------|-------------|-------------|
| SHARES OUTSTANDING-DILUTED | 241,110,822 | 231,827,525 |
|----------------------------|-------------|-------------|

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited)

| | Nine Months Ended June 30, | |
|--|----------------------------|---------------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| NET (LOSS) INCOME | \$(23,394,811) | \$17,813,874 |
| Adjustments to reconcile net (loss) income to net cash used in operating activities: | | |
| Depreciation and amortization | 434,436 | 377,458 |
| Issuance of convertible notes and preferred stock in legal settlement | 9,000,000 | - |
| Issuance of common stock, warrants and stock options for services | 137,947 | 1,159,450 |
| Common stock contributed to 401(k) plan | 112,030 | 83,023 |
| Extension of options | 135,988 | 212,444 |
| Employee option cost | 1,104,933 | 939,350 |
| Gain on derivative instruments | (2,879,003) | (30,614,451) |
| Decrease in deferred rent asset | 468,030 | 754,276 |
| Amortization of loan premium | - | (3,282) |
| Loss on abandonment of patents | - | 5,381 |
| Loss on retirement of equipment | 2,828 | 2,081 |
| Increase in prepaid expenses | (1,991,596) | (148,774) |
| Increase in inventory for R&D and manufacturing | (102,026) | (1,352,513) |
| Decrease in deposits | - | 1,574,932 |
| Increase in receivables | (414,126) | - |
| Decrease in accounts payable | (350,377) | (83,191) |
| Increase in accrued expenses | 53,935 | 115,236 |
| Decrease in amount due to employees | (40,226) | (25,020) |
| Increase in deferred revenue | - | 125,000 |
| (Decrease) increase in deferred rent liability | (2,190) | 61 |
| NET CASH USED IN OPERATING ACTIVITIES | (17,724,228) | (9,064,665) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Decrease in restricted cash | 21,357 | 47,215 |
| Purchase of equipment | (174,993) | (368,281) |
| Patent costs | (45,883) | (15,023) |
| NET CASH USED IN INVESTING ACTIVITIES | (199,519) | (336,089) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment for repurchase of preferred stock | (1,017,000) | - |
| Proceeds from exercise of stock options and warrants | 604,588 | 6,308,874 |
| Proceeds from sale of stock | 2,343,994 | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,931,582 | 6,308,874 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (15,992,165) | (3,091,880) |
| CASH AND CASH EQUIVALENTS: | | |

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| | | |
|---------------------|--------------|-----------------------------|
| Beginning of period | 26,568,243 | 33,567,516 |
| End of period | \$10,576,078 | \$30,475,636 (continued) |

See notes to condensed consolidated financial statements.

CEL-SCI CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
 (unaudited) (continued)

| | Nine Months Ended June 30, | |
|--|-------------------------------|---------------|
| | 2011 | 2010 |
| SUPPLEMENTAL INFORMATION ON NONCASH TRANSACTIONS: | | |
| Patent costs included in accounts payable: | | |
| Increase in accounts payable | \$(93,553) | \$- |
| Increase in patent costs | 93,553 | - |
| | \$- | \$- |
| Equipment costs included in accounts payable: | | |
| Increase in accounts payable | \$(33,705) | \$(48,657) |
| Increase in research and office equipment | 33,705 | 48,657 |
| | \$- | \$- |
| Modification of warrants: | | |
| Increase in additional paid-in capital | \$(1,068,369) | \$(1,432,456) |
| Decrease in additional paid-in capital | 1,068,369 | 1,432,456 |
| | \$- | \$- |
| Exercise of derivative liability warrants: | | |
| Decrease in derivative liabilities | \$202,830 | \$5,510,490 |
| Increase in additional paid-in capital | (202,830) | (5,510,490) |
| | \$- | \$- |
| Adoption of ASC 815-40: | | |
| Increase in derivative liabilities | \$- | \$(6,186,343) |
| Increase in accumulated deficit | - | 6,186,343 |
| | \$- | \$- |
| Dismissal of liability for overpayment: | | |
| Decrease in accrued expenses | \$81,395 | \$- |
| Increase in additional paid-in capital | (81,395) | - |
| | \$- | |