

Edgar Filing: CEL SCI CORP - Form PRE 14A

CEL SCI CORP
Form PRE 14A
January 31, 2003

SCHEDULE 14A

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]

Filed by Party other than the Registrant []

Check the appropriate box:

- [X] Preliminary Proxy Statement
- [] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to 17 CFR 240.14a-11(c) or 17 CFR 240.14a-12

CEL-SCI CORPORATION

(Name of Registrant as Specified In Its Charter)

William T. Hart - Attorney for Registrant
(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

[] \$500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3)

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

4) Proposed maximum aggregate value of transaction:

[] 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

Edgar Filing: CEL SCI CORP - Form PRE 14A

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 No.:

3) Filing Party:

4) Date Filed:

CEL-SCI CORPORATION
8229 Boone Blvd.
Suite 802
Vienna, Virginia 22182
(703) 506-9460

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD _____, 2003

To the Shareholders:

Notice is hereby given that the annual meeting of the shareholders of CEL-SCI Corporation (the "Company") will be held at _____ on _____, 2003, at 11:00 A.M., for the following purposes:

- (1) to elect the directors who shall constitute the Company's Board of Directors for the ensuing year;
- (2) to approve the adoption of the Company's 2003 Incentive Stock Option Plan which provides that up to 2,000,000 shares of common stock may be issued upon the exercise of options granted pursuant to the Incentive Stock Option Plan.
- (3) to approve the adoption of the Company's 2003 Non-Qualified Stock Option Plan which provides that up to 2,000,000 shares of common stock may be issued upon the exercise of options granted pursuant to the Non-Qualified Stock Option Plan.
- (4) to approve the adoption of the Company's 2003 Stock Bonus Plan which provides that up to 500,000 shares of common stock may be issued to persons granted stock bonuses pursuant to the Stock Bonus Plan.
- (5) to approve the issuance of such number of shares of common stock as may be required by the terms of convertible securities and warrants issued by the Company.

Edgar Filing: CEL SCI CORP - Form PRE 14A

(6) to ratify the appointment of Deloitte & Touche as the Company's independent accountants for the fiscal year ending September 30, 2003;

to transact such other business as may properly come before the meeting.

January __, 2003 is the record date for the determination of shareholders entitled to notice of and to vote at such meeting. Shareholders are entitled to one vote for each share held. As of January __, 2003, there were 46,741,331 issued and outstanding shares of the Company's common stock.

CEL-SCI CORPORATION

_____, 2003

By Geert R. Kersten

Chief Executive Officer

PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, AND SIGN, DATE AND RETURN THE PROXY CARD.

TO SAVE THE COST OF FURTHER SOLICITATION, PLEASE MAIL YOUR PROXY CARD PROMPTLY.

CEL-SCI CORPORATION
8229 Boone Blvd.
Suite 802
Vienna, Virginia 22182
(703) 506-9460

PROXY STATEMENT

The accompanying proxy is solicited by the Company's directors for voting at the annual meeting of shareholders to be held on _____, 2003, and at any and all adjournments of such meeting. If the proxy is executed and returned, it will be voted at the meeting in accordance with any instructions, and if no specification is made, the proxy will be voted for the proposals set forth in the accompanying notice of the annual meeting of shareholders. Shareholders who execute proxies may revoke them at any time before they are voted, either by writing to the Company at the address set forth above or in person at the time of the meeting. Additionally, any later dated proxy will revoke a previous proxy from the same shareholder. This proxy statement was mailed to shareholders of record on or about _____, 2003.

There is one class of capital stock outstanding. Provided a quorum consisting of one-third of the shares entitled to vote is present at the meeting, the affirmative vote of a majority of the shares of common stock voting in person or represented by proxy is required to elect directors. Cumulative voting in the election of directors is not permitted. The adoption of any other proposals to come before the meeting will require the approval of a majority of votes cast at the meeting.

Shares of the Company's common stock represented by properly executed proxies that reflect abstentions or "broker non-votes" will be counted as present for purposes of determining the presence of a quorum at the annual

Edgar Filing: CEL SCI CORP - Form PRE 14A

meeting. "Broker non-votes" represent shares held by brokerage firms in "street-name" with respect to which the broker has not received instructions from the customer or otherwise does not have discretionary voting authority. Abstentions and broker non-votes will not be counted as having voted against the proposals to be considered at the meeting.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of January 31, 2003, information with respect to the shareholdings of (i) each person owning beneficially 5% or more of the Company's common stock (ii) each officer who received compensation in excess of \$100,000 during the Company's most recent fiscal year and (iii) all 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 (3) -----
Maximilian de Clara Bergstrasse 79 6078 Lungern, Obwalden, Switzerland	1,228,172	2.6%
Geert R. Kersten 8229 Boone Blvd., Suite 802 Vienna, VA 22182	2,704,959 (2)	5.5%
Patricia B. Prichep 8229 Boone Blvd., Suite 802 Vienna, VA 22182	769,340	1.6%

Name and Address -----	Number of Shares (1) -----	Percent of Class (3) -----
Eyal Talor, Ph.D. 8229 Boone Blvd., Suite 802 Vienna, VA 22182	570,185	1.2%
Daniel H. Zimmerman, Ph.D. 8229 Boone Blvd., Suite 802 Vienna, VA 22182	571,130	1.2%
Alexander G. Esterhazy 20 Chemin du Pre-Poiset CH- 1253 Vandoeuvres Geneve, Switzerland	50,000	*
C. Richard Kinsolving P.O. Box 20193 Bradenton, FL 34204-0193	94,489	*
Peter R. Young 8229 Boone Blvd., Suite 802 Vienna, VA 22182	16,250	*
All Officers and Directors as a Group (8 persons)	6,004,525	11.8%

Edgar Filing: CEL SCI CORP - Form PRE 14A

* Less than 1%

(1) Includes shares issuable prior to March 31, 2003 upon the exercise of options or warrants granted to the following persons:

Name	Options or Warrants Exercisable Prior to March 31, 2003
Maximilian de Clara	484,999
Geert R. Kersten	1,780,000
Patricia B. Prichep	494,667
Eyal Talor, Ph.D.	292,500
Daniel H. Zimmerman, Ph.D.	308,001
Alexander G. Esterhazy	50,000
C. Richard Kinsolving, Ph.D.	50,000
Peter R. Young, Ph.D.	--

(2) Amount includes shares held in trust for the benefit of Mr. Kersten's minor children. Geert R. Kersten is the stepson of Maximilian de Clara.

(3) 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 the Company.

ELECTION OF DIRECTORS

Unless the proxy contains contrary instructions, it is intended that the proxies will be voted for the election of the current directors listed below to serve as members of the board of directors until the next annual meeting of shareholders and until their successors shall be elected and shall qualify.

All current directors have consented to stand for re-election. In case any nominee shall be unable or shall fail to act as a director by virtue of an unexpected occurrence, the proxies may be voted for such other person or persons as shall be determined by the persons acting under the proxies in their discretion.

Certain information concerning the Company's officers and directors follows:

Name	Age	Position
Maximilian de Clara	73	Director and President
Geert R. Kersten, Esq.	44	Director, Chief Executive Officer and Treasurer
Patricia B. Prichep	50	Senior Vice President of Operations and Secretary
Dr. Eyal Talor	46	Senior Vice President of Research and Manufacturing
Dr. Daniel H. Zimmerman	60	Senior Vice President of Research, Cellular Immunology
Alexander G. Esterhazy	57	Director
Dr. C. Richard Kinsolving	67	Director
Peter R. Young	57	Director

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

The principal occupations of the Company's officers and directors, during

Edgar Filing: CEL SCI CORP - Form PRE 14A

the past several years, are as follows:

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

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

Patricia B. Prichep has been the Company's Senior Vice President of Operations since March 1994. Between December 1992 and March 1994, Ms. Prichep was the Company's Director of Operations. Ms. Prichep became the Company's Secretary in May 2000. From June 1990 to December 1992, Ms. Prichep was the Manager of Quality and Productivity for the NASD's Management, Systems and Support Department. Between 1982 and 1990, Ms. Prichep was Vice President and Operations Manager for Source Capital, Ltd.

Eyal Talor, Ph.D. has been the Company's Senior Vice President of Research and Manufacturing since March 1994. From October 1993 until March 1994, Dr. Talor was Director of Research, Manufacturing and Quality Control, as well as the Director of the Clinical Laboratory, for Chesapeake Biological Laboratories,

Inc. From 1991 to 1993, Dr. Talor was a scientist with SRA Technologies, Inc., as well as the director of SRA's Flow Cytometry Laboratory (1991-1993) and Clinical Laboratory (1992-1993). During 1992 and 1993, Dr. Talor was also the Regulatory Affairs and Safety Officer For SRA. Since 1987, Dr. Talor has held various positions with the John Hopkins University, including course coordinator for the School of Continuing Studies (1989-Present), research associate and lecturer in the Department of Immunology and Infectious Diseases (1987-1991), and associate professor (1991-Present).

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

Alexander G. Esterhazy has been an independent financial advisor since November 1997. Between July 1991 and October 1997 Mr. Esterhazy was a senior

Edgar Filing: CEL SCI CORP - Form PRE 14A

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

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

Peter R. Young has been a Director of the Company since August 2002. Dr. Young has been a senior executive within the pharmaceutical industry in the United States and Canada for most of his career. Over the last 20 years he has primarily held positions of Chief Executive Officer or Chief Financial Officer and has extensive experience with acquisitions and equity financings. Since November 2001 Dr. Young has been the Chief Operating Officer of Immune Therapies International, Inc., which has its principal operations in Tucson, Arizona. Immune Therapies International treats patients requiring immune system therapy to fight serious diseases such as cancer, multiple sclerosis and hepatitis. Dr. Young received his Ph.D. in Organic Chemistry from the University of Bristol, England (1969), and his Bachelor's degree in Honors Chemistry, Mathematics and Economics also from the University of Bristol, England (1966).

The Company's Board of Directors met six times during the year ending September 30, 2002. All of the Directors attended each of these meetings either in person or by telephone conference call.

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

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

Executive Compensation

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

Other
Annual Restric-

All
Other
Com-

Edgar Filing: CEL SCI CORP - Form PRE 14A

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

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

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

(3) Any other annual compensation not properly categorized as salary or bonus, including perquisites and other personal benefits, securities or property. Amounts in the table represent automobile, parking and other transportation expenses, plus, in the case of Maximilian de Clara and Geert Kersten, director's fees of \$8,000.

(4) During the periods covered by the table, the value of the shares of restricted stock issued as compensation for services to the persons listed in the table. In the case of Mr. de Clara, the shares were issued in consideration for past services rendered to the Company. In the case of Mr. Kersten the shares were issued in lieu of directors' fees and as the Company's contribution on behalf of Mr. Kersten to the Company's 401(k) retirement plan. In the case of all other persons listed in the table, the shares were issued as the Company's contribution on behalf of the named officer to the Company's 401(k) retirement plan.

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

Edgar Filing: CEL SCI CORP - Form PRE 14A

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

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

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

(5) The shares of Common Stock to be received upon the exercise of all stock options granted during the periods covered by the Table. Includes certain options issued in connection with the Company's Salary Reduction Plans as well as certain options purchased from the Company. See "Options Granted During Fiscal Year Ended September 30, 2002" below.

(6) All other compensation received that the Company could not properly report in any other column of the Table including annual Company contributions or other allocations to vested and unvested defined contribution plans, and the dollar value of any insurance premiums paid by, or on behalf of, the Company with respect to term life insurance for the benefit of the named executive officer, and the full dollar value of the remainder of the premiums paid by, or on behalf of, the Company. Amounts in the table represent life insurance premiums.

Long Term Incentive Plans - Awards in Last Fiscal Year

None.

Employee Pension, Profit Sharing or Other Retirement Plans

During 1993 the Company implemented a defined contribution retirement plan, qualifying under Section 401(k) of the Internal Revenue Code and covering substantially all the Company's employees. Prior to January 1, 1998 the Company's contribution was equal to the lesser of 3% of each employee's salary, or 50% of the employee's contribution. Effective January 1, 1998 the plan was amended such that the Company's contribution is now made in shares of the Company's common stock as opposed to cash. Each participant's contribution is matched by the Company 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. The Company's contribution of common stock is valued each quarter based upon the closing price of the Company's common stock. The fiscal 2002 expenses for this plan were \$71,824. Other than the 401(k) Plan, the Company does not have a defined benefit, pension plan, profit sharing or other retirement plan.

Compensation of Directors

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

Other Arrangements. The Company has from time to time granted options to its outside directors. See Stock Options below for additional information

Edgar Filing: CEL SCI CORP - Form PRE 14A

concerning options granted to the Company's directors.

Employment Contracts. In March 2002 the Company entered into a new three-year employment agreement with Mr. de Clara which expires March 31, 2005. The new employment agreement, which is essentially the same as Mr. de Clara's two prior employment agreements, provides that the Company will pay Mr. de Clara an annual salary of \$363,000 during the term of the agreement. In the event that there is a material reduction in Mr. de Clara's authority, duties or activities, or in the event there is a change in the control of the Company, then the agreement

allows Mr. de Clara to resign from his position at the Company and receive a lump-sum payment from the Company equal to 18 months salary. For purposes of the employment agreement, a change in the control of the Company means the sale of more than 50% of the outstanding shares of the Company's Common Stock, or a change in a majority of the Company's directors.

Effective August 1, 2000, the Company entered into a three-year employment agreement with Mr. Kersten. The employment agreement provides that during the term of the employment agreement the Company will pay Mr. Kersten an annual salary of \$336,132, subject to minimum annual increases of 5% per year. In the event there is a change in the control of the Company, the agreement allows Mr. Kersten to resign from his position at the Company and receive a lump-sum payment from the Company equal to 24 months salary. For purposes of the employment agreement a change in the control of the Company means: (1) the merger of the Company with another entity if after such merger the shareholders of the Company do not own at least 50% of voting capital stock of the surviving corporation; (2) the sale of substantially all of the assets of the Company; (3) the acquisition by any person of more than 50% of the Company's common stock; or (4) a change in a majority of the Company's directors which has not been approved by the incumbent directors.

Compensation Committee Interlocks and Insider Participation

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

During the year ended September 30, 2002, no director of the Company was also an executive officer of another entity, which had an executive officer of the Company serving as a director of such entity or as a member of the compensation committee of such entity.

Stock Options

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

Options Granted During Fiscal Year Ended September 30, 2002

% of Total

Potential Realizable
Value at Assumed

Edgar Filing: CEL SCI CORP - Form PRE 14A

Name	Options Granted (#)	Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	Annual Rates of Stock Price Appreciation for Option Term (1)	
					5%	10%
Maximilian de Clara	75,000	8.73%	0.54	3/14/12	\$25,500	\$64,500
Geert R. Kersten	75,000	8.73%	0.54	3/14/12	\$25,500	\$64,500
	30,000 (2)	3.49%	0.54	3/14/12	\$10,200	\$25,800
	----- 105,000					
Patricia B. Prichep	30,000	3.49%	1.00	12/3/11	\$18,900	\$47,700
	10,500 (2)	1.22%	0.54	3/14/12	\$ 3,750	\$ 9,030
	50,000	5.82%	0.33	4/26/12	\$10,500	\$26,000
	----- 90,500					
Eyal Talor, Ph.D.	35,000	4.07%	1.00	12/3/11	\$22,050	\$55,650
	50,000	5.82%	0.33	4/26/12	\$10,500	\$26,000
	----- 85,000					
Daniel Zimmerman, Ph.D.	30,000	3.49%	0.54	3/14/12	\$10,200	\$25,800
	11,000 (2)	1.28%	0.54	3/14/12	\$ 3,740	\$ 9,460
	50,000	5.82%	0.33	4/26/12	\$10,500	\$26,000
	----- 91,000					

(1) The potential realizable value of the options shown in the table assuming the market price of the Company's Common Stock appreciates in value from the date of the grant to the end of the option term at 5% or 10%.

(2) Options were granted in accordance with the Company's Salary Adjustment Plan. Pursuant to the Salary Adjustment Plan, any employee of the Company was allowed to receive options (exercisable at market price at the time of grant) in exchange for a one-time reduction in such employee's salary.

Option Exercises and Year-End Option Values

Name	Shares Acquired On Exercise (1)	Value Realized (2)	Number of Unexercised Options (3)	Value (in \$) of Unexercised In-the-Money Options at Fiscal Year-End (4)
				Exercisable/ Unexercisable
Maximilian de Clara	--	--	439,999/135,000	0/0
Geert R. Kersten	--	--	1,725,000/165,000	0/0
Patricia Prichep	--	--	465,168/114,832	0/0
Eyal Talor	--	--	272,500/101,666	0/0
Daniel Zimmerman	--	--	281,001/110,999	0/0

Edgar Filing: CEL SCI CORP - Form PRE 14A

(1) The number of shares received upon exercise of options during the fiscal year ended September 30, 2002.

(2) With respect to options exercised during the Company's fiscal year ended September 30, 2002, the dollar value of the difference between the option exercise price and the market value of the option shares purchased on the date of the exercise of the options.

(3) The total number of unexercised options held as of September 30, 2002, separated between those options that were exercisable and those options that were not exercisable.

(4) For all unexercised options held as of September 30, 2002, the market value of the stock underlying those options as of September 30, 2002.

Stock Option and Bonus Plans

The Company has Incentive Stock Option Plans, Non-Qualified Stock Option Plans and Stock Bonus Plans. All Stock Option and Bonus 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 collectively authorize the issuance of up to 2,100,000 shares of the Company's Common Stock to persons who exercise options granted pursuant to the Plan. Only Company employees may be granted options pursuant to the Incentive Stock Option Plan.

To be classified as incentive stock options under the Internal Revenue Code, options granted pursuant to the Plans must be exercised prior to the following dates:

(a) The expiration of three months after the date on which an option holder's employment by the Company is terminated (except if such termination is due to death or permanent and total disability);

(b) The expiration of 12 months after the date on which an option holder's employment by the Company is terminated, if such termination is due to the Employee's permanent and total disability;

(c) In the event of an option holder's death while in the employ of the Company, his executors or administrators may exercise, within three months following the date of his death, the option as to any of the shares not previously exercised;

The total fair market value of the shares of Common Stock (determined at the time of the grant of the option) for which any employee may be granted options which are first exercisable in any calendar year may not exceed \$100,000.

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 the Company may not be exercisable by its terms after five years from the date of grant. Any other option granted pursuant to the Plan 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 the Company's

Edgar Filing: CEL SCI CORP - Form PRE 14A

outstanding shares).

Non-Qualified Stock Option Plans. The Non-Qualified Stock Option Plans collectively authorize the issuance of up to 5,760,000 shares of the Company's Common Stock to persons that exercise options granted pursuant to the Plans. The Company'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 the offer or sale of securities in a capital-raising transaction. The option exercise price is determined by the Committee but cannot be less than the market price of the Company's Common Stock on the date the option is granted.

Stock Bonus Plan. Up to 1,440,000 shares of Common Stock may be granted under the Stock Bonus Plan. Such shares may consist, in whole or in part, of authorized but unissued shares, or treasury shares. Under the Stock Bonus Plan, the Company's employees, directors, officers, consultants and advisors are eligible to receive a grant of the Company's shares, provided however that 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.

Other Information Regarding the Plans. The Plans are administered by the Company's Compensation Committee ("the Committee"), each member of which is a director of the Company. The members of the Committee were selected by the Company'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 and any options granted pursuant to the Incentive Stock Option Plan or the Non-Qualified Stock Option Plan will be forfeited if the "vesting" schedule established by the Committee administering the Plan 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 the Company or the period of time a non-employee must provide

services to the Company. At the time an employee ceases working for the Company (or at the time a non-employee ceases to perform services for the Company), 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 the Company'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 Plan will generally not be transferable until the person receiving the shares satisfies the vesting

Edgar Filing: CEL SCI CORP - Form PRE 14A

requirements imposed by the Committee when the shares were issued.

The Board of Directors of the Company may at any time, and from time to time, amend, terminate, or suspend one or more of the Plans in any manner they deem appropriate, provided that such amendment, termination or suspension will not adversely affect rights or obligations with respect to shares or options previously granted. The Board of Directors may not, without shareholder approval: make any amendment which would materially modify the eligibility requirements for the Plans; increase or decrease the total number of shares of Common Stock which may be issued pursuant to the Plans except in the case of a reclassification of the Company's capital stock or a consolidation or merger of the Company; reduce the minimum option price per share; extend the period for granting options; or materially increase in any other way the benefits accruing to employees who are eligible to participate in the Plans.

Summary. The following sets forth certain information, as of December 31, 2002, concerning the stock options and stock bonuses granted by the Company. Each option represents the right to purchase one share of the Company's Common Stock. The total shares reserved under each Plan includes shares authorized by the 2003 Plans which are being submitted to the Company's shareholders for their approval at the _____, 2003 meeting.

Name of Plan -----	Total Shares Reserved Under Plans -----	Shares Reserved for Outstanding Options -----	Shares Issued as Stock Bonus -----	Remaining Options/Shares Under Plans -----
Incentive Stock Option Plans	4,100,000	1,251,000	N/A	2,762,315
Non-Qualified Stock Option Plans	7,760,000	4,073,434	N/A	2,589,105
Stock Bonus Plans	1,940,000	N/A	1,090,700	849,300

Of the shares issued pursuant to the Company's Stock Bonus Plans 353,584 shares were issued as part of the Company's contribution to its 401(k) plan.

The following table shows the weighted average exercise price of the outstanding options granted pursuant to the Company's Incentive and Non-Qualified Stock Option Plans. The Company's Incentive and Non-Qualified Stock Option Plans have been approved by the Company's shareholders.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options [a]	Weighted-Average Exercise Price of of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Incentive Stock Option Plans	1,251,100	\$1.62	762,315

Edgar Filing: CEL SCI CORP - Form PRE 14A

Non-Qualified Stock	4,073,434	\$1.10	589,105
	-----	-----	-----
Option Plans	5,324,534	\$1.23	1,351,420
	=====	=====	=====

In January 2000 the Company issued Mr. de Clara 200,000 shares of common stock for past services provided to the Company. In September 2001 the Company issued Mr. de Clara an additional 200,000 shares of common stock for past services provided to the Company. In October 2001 the Company issued Mr. de Clara an additional 75,071 shares of common stock for past services provided to the Company.

Compensation Committee

During the year ending September 30, 2002 the Company had a Compensation Committee which, was comprised of Maximilian de Clara, Alexander Esterhazy and C. Richard Kinsolving. During the year ended September 30, 2002 the Compensation Committee did not formerly meet as a separate committee, but rather held its meetings in conjunction with the Company's Board of Director's meetings.

During the year ended September 30, 2002, Mr. de Clara was the only officer participating in deliberations of the Company's compensation committee concerning executive officer compensation. During the year ended September 30, 2002, no director of the Company was also an executive officer of another entity, which had an executive officer of the Company serving as a director of such entity or as a member of the compensation committee of such entity.

The following is the report of the Compensation Committee:

The key components of the Company's executive compensation program include annual base salaries and long-term incentive compensation consisting of stock options. It is the Company's policy to target compensation (i.e., base salary, stock option grants and other benefits) at approximately the median of comparable companies in the biotechnology field. Accordingly, data on compensation practices followed by other companies in the biotechnology industry is considered.

The Company's long term incentive program consists exclusively of periodic grants of stock options with an exercise price equal to the fair market value of the Company's Common Stock on the date of grant. To encourage retention, the ability to exercise options granted under the program is subject to vesting restrictions. Decisions made regarding the timing and size of option grants take into account Company and individual performance, "competitive market" practices, and the size of the option grants made in prior years. The weighting of these factors varies and is subjective. Current option holdings are not considered when granting options.

In March 2002 the Company entered into a three-year employment agreement with Maximilian de Clara, the Company's President. The March 2002 employment agreement, which is essentially the same as Mr. de Clara's two prior employment agreements, provides that during the employment term the Company will pay Mr. de Clara a salary of \$363,000. In renewing Mr. de Clara's employment contract the

Compensation Committee considered various factors, including Mr. de Clara's performance in his area of responsibility, Mr. de Clara's experience in his position, and Mr. de Clara's length of service with the Company.

Effective August 1, 2000, the Company entered into a three-year employment agreement with Geert R. Kersten. The employment agreement provides that during

Edgar Filing: CEL SCI CORP - Form PRE 14A

the term of the employment agreement the Company will pay Mr. Kersten an annual salary of \$336,132, subject to the minimum annual increases of 5% per year. During the fiscal year ending September 30, 2002 the cash compensation paid to Mr. Kersten was based on his employment contract. Since the term of the employment contract established the compensation paid to Mr. Kersten, there was no relationship between the Company's performance and Mr. Kersten's compensation for the last completed fiscal year.

During the year ended September 30, 2001 Mr. de Clara and Mr. Kersten, in accordance with the Company's salary reduction program, agreed to reduce a portion of the compensation payable in fiscal 2001 pursuant to their employment contracts in exchange for stock options and restricted shares of the Company's common stock.

During the year ending September 30, 2002, the compensation paid to the Company's other executive officers was based on a variety of factors, including the performance in the executive's area of responsibility, the executive's individual performance, the executive's experience in his or her role, the executive's length of service with the Company, the achievement of specific goals established for the Company and its business, and, in certain instances, to the achievement of individual goals.

Financial or stockholder value performance comparisons were not used to determine the compensation of the Company's other executive officers since the Company's financial performance and stockholder value are influenced to a substantial degree by external factors and as a result comparing the compensation payable to the other executive officers to the Company's financial or stock price performance can be misleading.

During the year ended September 30, 2002 the Company granted options for the purchase of 446,500 shares of the Company's common stock to the Company's executive officers. In granting the options to the Company's executive officers, the Board of Directors considered the same factors which were used to determine the cash compensation paid to such officers.

During the year ended September 30, 2002 the Company issued restricted shares of its common stock to the following directors in lieu of director's fees: Maximilian de Clara (25,489 shares), Geert R. Kersten (25,489 shares), C. Richard Kinsolving (25,489 shares) and Peter Young (16,250 shares). Except as otherwise disclosed in this proxy statement, during the year ended September 30, 2002 the Company did not issue any shares of its common stock to the Company's officers or directors in return for services provided to the Company.

The foregoing report has been approved by the members of the Compensation Committee:

Maximilian de Clara
Alexander Esterhazy
C. Richard Kinsolving

Stockholder Return Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on the Company's common stock with the cumulative total return of the Amex Market Value Index and a Biotechnology peer group for the five fiscal years ending September 30, 2002.

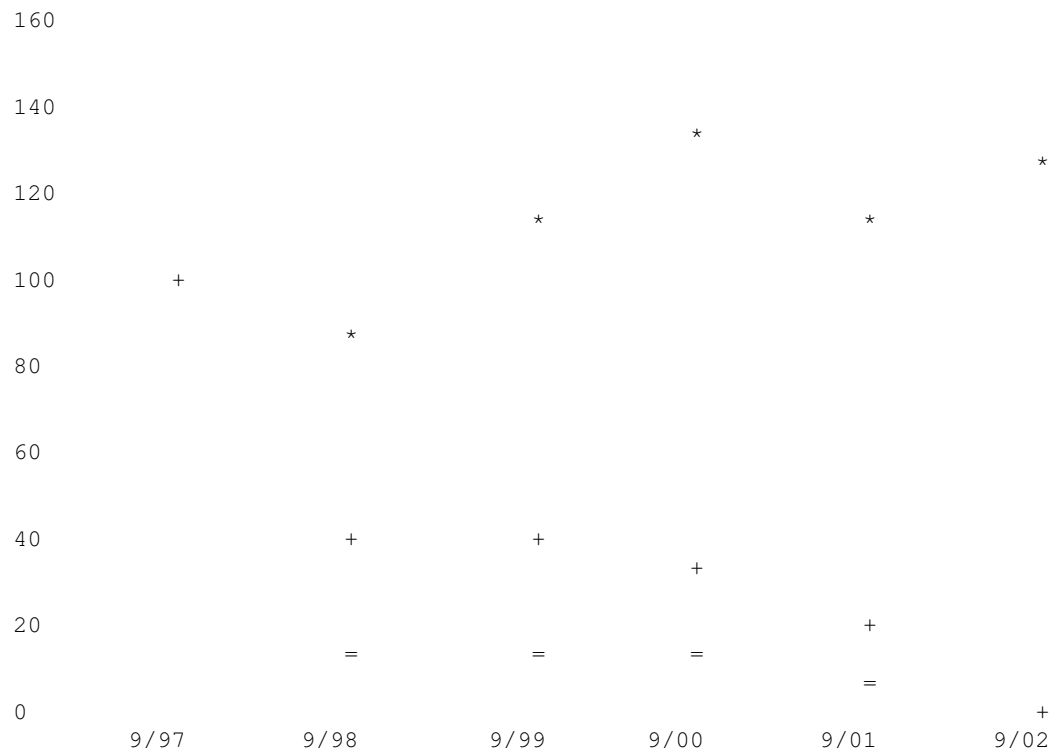
Comparison of Five Year Cumulative Total Return Among
Cel-Sci Corporation, the Amex Market Value, and a Peer Group

The members of the Peer Group used for purposes of the following comparison, and their respective trading symbols, are: Antex Biologics, Inc.

Edgar Filing: CEL SCI CORP - Form PRE 14A

(ANX), Epimmune, Inc. (EPMN) and Neoprobe Corp. (NEOP).

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN* AMONG CEL-SCI CORPORATION, THE AMEX COMPOSITE INDEX AND A PEER GROUP



+ CEL-SCI CORPORATION

* AMEX COMPOSITE

= PEER GROUP

* \$100 invested on 9/30/97 in stock or index-including reinvestment of dividends. Fiscal year ending September 30.

Audit Committee

During the year ended September 30, 2002 the Company had an Audit Committee comprised of Alexander Esterhazy, C. Richard Kinsolving and Peter Young. The members of the Audit Committee are independent as independence is defined by Section 121(A) of the American Stock Exchange's Listing Standards. The purpose of the Audit Committee is to review and approve the selection of the Company's auditors, review the Company's financial statements with the Company's independent auditors, and review and discuss the independent auditors' management letter relating to the Company's internal accounting controls. During the fiscal year ended September 30, 2002, the Audit Committee met five times. All members of the Audit Committee attended this meeting.

Edgar Filing: CEL SCI CORP - Form PRE 14A

The following is the report of the Audit Committee.

- (1) The Audit Committee reviewed and discussed the Company's audited financial statements for the year ended September 30, 2002 with the Company's management.
- (2) The Audit Committee discussed with the Company's independent auditors the matters required to be discussed by Statement on Accounting Standards (SAS) No. 61 "Communications with Audit Committee" as amended by SASs 89 and 90.
- (3) The Audit Committee has received the written disclosures and the letter from the Company's independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and had discussed with the Company's independent accountants the independent accountants independence; and
- (4) Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended September 30, 2002 for filing with the Securities and Exchange Commission.
- (5) During the year ended September 30, 2002 the Company paid Deloitte & Touche, the Company's independent auditors, other audit related fees of \$33,000 for reviewing various registration statements filed by the Company during the year. The Audit Committee is of the opinion that these fees are consistent with Deloitte & Touche maintaining its independence from the Company.

The foregoing report has been approved by the members of the Audit Committee:

Alexander G. Esterhazy
C. Richard Kinsolving
Peter Young

The Company's Board of Directors has adopted a written charter for the Audit Committee, a copy of which is included as an appendix to this proxy statement.

PROPOSAL TO ADOPT 2003 INCENTIVE STOCK OPTION PLAN

Shareholders are being requested to vote on the adoption of the Company's 2003 Incentive Stock Option Plan. The purpose of the 2003 Incentive Stock Option Plan is to furnish additional compensation and incentives to the Company's officers and employees.

The 2003 Incentive Stock Option Plan, if adopted, will authorize the issuance of up to 2,000,000 shares of the Company's common stock to persons that exercise options granted pursuant to the plan. As of the date of this Proxy Statement the Company had not granted any options pursuant to this plan.

Any options under the 2003 Incentive Stock Option Plan must be granted before January 20, 2013. If adopted, the 2003 Incentive Stock Option Plan will function and be administered in the same manner as the Company's other Incentive Stock Option Plans. The Board of Directors recommends that the shareholders of the Company approve the adoption of the 2003 Incentive Stock Option Plan.

Proposal to adopt 2003 non-qualified stock option plan

Shareholders are being requested to vote on the adoption of the Company's

Edgar Filing: CEL SCI CORP - Form PRE 14A

2003 Non-Qualified Stock Option Plan. The Company's employees, directors and officers, and consultants or advisors to the company are eligible to be granted options pursuant to the 2003 Non-Qualified Plan as may be determined by the Company's Board of Directors, provided however that bona fide services must be rendered by such consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction.

The 2003 Non-Qualified Plan, if adopted, will authorize the issuance of up to 2,000,000 shares of the Company's common stock to persons that exercise options granted pursuant to the Plan. As of the date of this Proxy Statement the Company had options to purchase pursuant to the 2003 Non-Qualified Plan.

The 2003 Non-Qualified Plan will function and be administered in the same manner as the Company's other Non-Qualified Plans. The Board of Directors recommends that the shareholders of the Company approve the adoption of the 2003 Non-Qualified Plan.

PROPOSAL TO ADOPT 2003 STOCK BONUS PLAN

Shareholders are being requested to vote on the adoption of the Company's 2003 Stock Bonus Plan. The purpose of the 2003 Stock Bonus Plan is to furnish additional compensation and incentives to the Company's officers and employees and to allow the Company to continue to make contributions to its 401(k) plan with shares of its common stock instead of cash.

Since 1993 the Company has maintained a defined contribution retirement plan (also known as a 401(k) Plan) covering substantially all the Company's employees. Prior to January 1, 1998 the Company's contribution to the 401(k) Plan was made in cash. Effective January 1, 1998 the Company's employees approved a change in the plan such that the Company's contribution is now made in shares of the Company's common stock as opposed to cash. The Company's contribution of common stock is made quarterly and is valued based upon the price of the Company's common stock on the American Stock Exchange. The Board of Directors is of the opinion that contributions to the 401(k) plan with shares of the Company's common stock serves to further align the shareholder's interest with that of the Company's employees.

The 2003 Stock Bonus Plan, if adopted, will authorize the issuance of up to 500,000 shares of the Company's common stock to persons granted stock bonuses pursuant to the plan. As of the date of this Proxy Statement the Company had not granted any stock bonuses pursuant to the 2003 Stock Bonus Plan.

The 2003 Stock Bonus Plan will function and be administered in the same manner as the Company's existing Stock Bonus Plans. The Board of Directors recommends that the shareholders of the Company approve the adoption of the 2003 Stock Bonus Plans.

Proposal to Approve Issuance of Common Stock Pursuant to the Company's Convertible Securities and Warrants

In July and September 2002, the Company sold Series G convertible notes, plus Series G warrants to a group of private investors for \$1,300,000. The Series G notes bear interest at 7% per year, are due and payable on July 12, 2004 and are secured by substantially all of the Company's assets. Interest is payable quarterly. If the Company fails to make any interest payment when due, the notes will become immediately due and payable.

At the holder's option the Series G notes are convertible into shares of the Company's common stock equal in number to the amount determined by dividing each \$1,000 of note principal to be converted by the Conversion Price. The Conversion Price is 76% of the average of the three lowest daily trading prices of the

Edgar Filing: CEL SCI CORP - Form PRE 14A

Company's common stock on the American Stock Exchange during the 15 trading days immediately prior to the conversion date. The Conversion Price may not be less than \$0.18. However, if the Company's common stock trades for less than \$0.24 per share for a period of 20 consecutive trading days, the \$0.18 minimum price will no longer be applicable. The Conversion Price will decline from 76% to 60% if (i) on any trading day after September 9, 2002 the closing daily price of the Company's common stock multiplied by the total number of shares of common stock

traded on that day is less than \$29,977, (ii) the Company defaults in the performance of any material covenant, condition or agreement with the holders of the notes or, (iii) the Company's common stock is delisted from the American Stock Exchange. As of January 10, 2003 Series G convertible notes in the principal amount of \$770,000 had been converted into 5,069,338 shares of the Company's common stock.

In January 2003, the Company sold Series H convertible notes, plus Series H warrants to a group of private investors for \$600,000. The Series H notes bear interest at 7% per year, are due on January 7, 2005 and are secured by substantially all of the Company's assets. Interest is payable quarterly with the first interest payment due on April 1, 2003. If the Company fails to make any interest payment when due, the notes will become immediately due and payable. The Company has filed a registration statement with the Securities and Exchange Commission so that the shares of common stock issuable upon the conversion of the Series H notes and the exercise of the Series H warrants may be resold in the public market. Upon the effective date of this registration statement the holders of the Series H notes have agreed to purchase an additional \$750,000 of notes from the Company. The additional \$750,000 of notes will have the same terms as the Series H notes sold in January 2003.

At the holder's option the Series H notes are convertible into shares of the Company's common stock equal in number to the amount determined by dividing each \$1,000 of note principal to be converted by the Conversion Price. The Conversion Price is 76% of the average of the three lowest daily trading prices of the Company's common stock on the American stock Exchange during the 15 trading days immediately prior to the conversion date. The Conversion Price may not be less than \$0.16. However, if the Company's common stock trades for less than \$0.21 per share for a period of 20 consecutive trading days, the \$0.16 minimum price will no longer be applicable. The Conversion Price will decline to 70% if the registration statement which the Company has agreed to file with the Securities and Exchange Commission has not been declared effective within 60 days after the date the registration statement is filed, or (ii) the closing price of the Company's common stock equals or exceeds \$.50 on any trading day. The Conversion Price will increase to 76% on the trading day following the date that the closing price of the Company's common stock falls below \$.50. The Conversion Price will decline to 60% if (i) the registration statement which the Company has agreed to file with the Securities and Exchange Commission has not been declared effective within 75 days after the date the registration statement was filed, (ii) the Company defaults in the performance of any material covenant, condition or agreement with the holders of the notes or, (iii) the Company's common stock is delisted from the American Stock Exchange.

If the Company sells any additional shares of common stock, or any securities convertible into common stock at a price below the then applicable Conversion Price of the Series G or Series H notes, the Conversion Price of the Series G or Series H notes will be lowered to the price at which the shares were sold or the lowest price at which the securities are convertible, as the case may be. If the Company sells any additional shares of common stock, or any securities convertible into common stock at a price below the market price of the Company's common stock, the Conversion Price of the Series G or Series H notes will be lowered by a percentage equal to the price at which the shares

Edgar Filing: CEL SCI CORP - Form PRE 14A

were sold or the lowest price at which the securities are convertible, as the case may be, divided by the then prevailing market price of the Company's common stock. However the Conversion Price will not be adjusted as the result of shares issued in connection with a Permitted Financing. A Permitted Financing involves shares of common stock issued or sold:

- in connection with a merger or acquisition;
- upon the exercise of options or the issuance of common stock to the Company's employees, officers, directors, consultants and vendors in accordance with the Company's equity incentive policies;
- pursuant to the conversion or exercise of securities which were outstanding prior to July 12, 2002 in the case of the Series G notes and warrants or January 7, 2003 in the case of the Series H notes and warrants;
- pursuant to the Company's equity line of credit;
- to key officers of the Company in lieu of their respective salaries.

The Series G warrants allow the holders to purchase up to 900,000 shares of the Company's common stock at a price of \$0.18 per share at any time prior to July 12, 2009. Every three months after December 9, 2002, the exercise price of the Series G warrants will be adjusted to an amount equal to 110% of the Conversion Price on such date, provided that the adjusted price is lower than the warrant exercise price on that date.

The Series H warrants allow the holders to purchase up to 1,100,000 shares of the Company's common stock at a price of \$0.25 per share at any time prior to January 7, 2010. Every three months after the effective date of the registration statement which the Company has agreed to file the exercise price of the Series H warrants will be adjusted to an amount equal to 110% if the Conversion Price on such date, provided that the adjusted price is lower than the warrant exercise price on that date.

If the Company sells any additional shares of common stock, or any securities convertible into common stock at a price below the then applicable exercise price of the Series G or Series H warrants, the exercise price of the Series G and Series H warrants, (as the case may be) will be lowered to the price at which the shares were sold or the lowest price at which the securities are convertible. If the warrant exercise price is adjusted, the number of shares of common stock issuable upon the exercise of the warrant will be increased by the product of the number of shares of common stock issuable upon the exercise of the warrant immediately prior to the sale multiplied by the percentage by which the warrant exercise price is reduced.

If the Company sells any additional shares of common stock, or any securities convertible into common stock at a price below the market price of the Company's common stock, the exercise price of the Series G or the Series H warrants will be lowered by a percentage equal to the price at which the shares were sold or the lowest price at which the securities are convertible, as the case may be, divided by the then prevailing market price of the Company's common stock. If the warrant exercise price is adjusted, the number of shares of common stock issuable upon the exercise of the warrant will be increased by the product of the number of shares of common stock issuable upon the exercise of the warrant immediately prior to the sale multiplied by the percentage determined by dividing the price at which the shares were sold by the market price of the

Edgar Filing: CEL SCI CORP - Form PRE 14A

Company's common stock on the date of sale.

Neither the exercise price of the Series G or Series H warrants nor the shares issuable upon the exercise of these warrants will be adjusted as the result of shares issued in connection with a Permitted Financing.

The actual number of shares issuable upon the conversion of the Series G and Series H notes and the exercise of the Series G and Series H warrants (if any) will vary depending upon a number of factors, including the price of the Company's common stock at certain dates.

AMEX Requirements

The Company's common stock trades on the American Stock Exchange. The rules of the AMEX require a corporation, the securities of which are listed on the AMEX, to obtain shareholder approval if 20% or more of a corporation's common stock will be sold in a private offering and below the greater of the book value or market price of the corporation's common stock.

The AMEX will consider the issuance of any common stock or upon the conversion of the Series G or Series H notes to be a sale of the Company's common stock at less than market price. In addition, if any of the Series G or Series H warrants are exercised at a price below the market price of the Company's common stock on the date the warrants were issued (\$0.24 in the case of the Series G warrants and \$0.19 in the case of the Series H warrants), the AMEX will consider these shares to have been sold at less than market price.

Consequently, the AMEX rule would prohibit the Company from issuing more than the number of shares shown in the table below without prior shareholder approval.

	Number of Company's Shares Which Were Outstanding on Date of Agreement Pertaining to Each Financing	Maximum Number of Company's Shares Which Could Be Issued Prior to Obtaining Shareholder Approval
Series G Notes and Series G Warrants (1)	33,717,180	6,743,436
Series H Notes and Series H Warrants (2)	46,741,331	9,348,265

(1) If any Series G warrants are exercised at a price which is less than \$0.24 per share, the AMEX would consider the shares issued upon the exercise of the warrant to have been sold at a price below market value.

(2) If any Series H warrants are exercised at a price which is less than \$0.19 per share, the AMEX would consider the shares issued upon the exercise of the warrant to have been sold at a price below market value.

It is possible, depending upon the future market price of the Company's common stock, that shares of common stock in excess of those shown in the foregoing table could be sold or issued pursuant to the term of the securities described in the table.

Edgar Filing: CEL SCI CORP - Form PRE 14A

In order to avoid any violation of the AMEX rules relating to the issuance of shares below the market price of the Company's common stock:

- o the terms of the Series G notes and the Series G warrants provide that no more than 6,743,436 shares may be issued unless the Company obtains shareholder approval for the issuance of such additional shares.
- o the terms of the Series H notes and the Series H warrants provide that no more than 9,348,265 shares may be issued unless the Company obtains shareholder approval for the issuance of such additional shares.

If a majority of the shareholders voting at the annual meeting do not approve the additional issuance of shares, the Company will be required to pay the holders of the Series G notes and the Series G warrants 130% of the then outstanding principal balance of the notes plus an amount equal to the then market value of the shares which would otherwise be issuable upon the exercise of the Series G or Series H warrants had shareholder approval been obtained.

The Company is requesting the Company's shareholders, if it should be necessary, to approve the issuance of such number of common shares as may be required by the terms of the Series G and Series H notes and the Series G and Series H warrants. The Company's Board of Directors believes that approval of this proposal is in the best interests of both the Company and its shareholders and unanimously recommends that shareholders vote "FOR" this Proposal.

APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has selected Deloitte & Touche, independent certified public accountants, to audit the books and records of the Company for the fiscal year ending September 30, 2003. Deloitte & Touche served as the Company's independent public accountants for the fiscal year ended September 30, 2002. A representative of Deloitte & Touche is not expected to be present at the shareholders' meeting.

Accounting Firm Fees

The fees billed to the Company by Deloitte & Touche and its affiliates were:

Total fees billed for professional services rendered for the audit of the Company's financial statements for the year ended September 30, 2002 and the reviews of the financial statements included in the Company's Forms 10-Q for the year ended September 30, 2002	\$130,030
---	-----------

Financial Information Systems Design and Implementation Fees for the year ended September 30, 2002	--
--	----

All other fees for the year ended September 30, 2002: *	
Audit Related Fees	\$33,000
Other Non-Audit Related Fees	--

* All other fees consist of audit related services for reviewing various registration statements filed with the Securities and Exchange Commission by the Company during the year.

The Company's Board of Directors is of the opinion that the other fees

Edgar Filing: CEL SCI CORP - Form PRE 14A

charged by Deloitte & Touche during fiscal 2002 (\$33,000) are consistent with Deloitte & Touche maintaining its independence from the Company.

AVAILABILITY OF ANNUAL REPORT ON FORM 10-K

The Company's Annual Report on Form 10-K for the year ending September 30, 2002 will be sent to any shareholder of the Company upon request. Requests for a copy of this report should be addressed to the Secretary of the Company at the address provided on the first page of this proxy statement.

SHAREHOLDER PROPOSALS

Any shareholder proposal which may properly be included in the proxy solicitation material for the annual meeting of shareholders following the Company's year ending September 30, 2003 must be received by the Secretary of the Company no later than December 31, 2003.

GENERAL

The cost of preparing, printing and mailing the enclosed proxy, accompanying notice and proxy statement, and all other costs in connection with solicitation of proxies will be paid by the Company including any additional solicitation made by letter, telephone or telegraph. Failure of a quorum to be present at the meeting will necessitate adjournment and will subject the Company to additional expense. The Company's annual report, including financial statements for the 2002 fiscal year, is included in this mailing.

The Company's Board of Directors do not intend to present and does not have reason to believe that others will present any other items of business at the annual meeting. However, if other matters are properly presented to the meeting for a vote, the proxies will be voted upon such matters in accordance with the judgment of the persons acting under the proxies.

Please complete, sign and return the enclosed proxy promptly. No postage is required if mailed in the United States.

CEL-SCI CORPORATION Audit Committee Charter

This Audit Committee Charter (the "Charter") has been adopted by the Board of Directors ("the Board") of Cel-Sci Corporation ("the Company"). The Audit Committee of the Board (the Committee) shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

Role and Independence: Organization

The Committee's job is one of oversight. Management is responsible for the preparation of the Company's financial statements and the independent auditors are responsible for auditing those financial statements. The Committee and the Board recognize that management and the independent auditors have more resources and time, and more detailed knowledge and information regarding the Company's accounting, auditing, internal control and financial reporting practices than the Committee; accordingly the Committee's oversight role does not provide any expert or special assurance as to the financial statements and other financial

Edgar Filing: CEL SCI CORP - Form PRE 14A

information provided by the Company to its shareholders and others.

The Committee will assist the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Company. It may also have such other duties as may from time to time be assigned to it by the Board. The membership of the Committee shall consist of at least two directors, who are each free of any relationship that, in the opinion of the Board, may interfere with such member's individual exercise of independent judgment. Each Committee member shall also meet the independence and financial literacy requirements for serving on audit committees, and at least one member shall have accounting or related financial management expertise, all as set forth in the applicable rules of the American Stock Exchange. The Committee shall maintain free and open communication with the independent auditors and Company management.

One member of the Committee shall be appointed as the chair. The chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, and making regular reports to the Board.

The Committee shall meet at least once a year, prior to the issuance of the Company's audited financial statements, or more frequently as the Committee considers necessary.

Responsibilities

Although the Committee may wish to consider other duties from time to time, the general recurring activities of the Committee in carrying out its oversight role are described below. The Committee shall be responsible for:

- o Recommending to the Board the independent auditors to be retained (or nominated for share holder approval) to audit the financial statements of the Company. Such auditors are ultimately accountable to the Board and the Committee, as representatives of the shareholders.
- o Evaluating, together with the Board and management, the performance of the independent auditors and, where appropriate, replacing such auditors.
- o Obtaining annually from the independent auditors a formal written statement describing all relationships between the auditors and the Company, consistent with Independence Standards Board Standard Number 1. The Committee shall actively engage in a dialogue with the independent auditors with respect to any relationship that may impact the objectivity and independence of the auditors and shall take, or recommend that the Board take, appropriate actions to oversee and satisfy itself as to the auditors' independence.
- o Reviewing the audited financial statements and discussing them with management and the independent auditors. These discussions shall include the matters required to be discussed under Statement on Auditing Standards (SAS) No. 61 "Communications with Audit Committee" as amended by SASs 89 and 90 and

consideration of the quality of the Company's accounting principles as applied in its financial reporting, including a review of particularly sensitive accounting estimates, reserves and accruals, judgmental areas, audit adjustments (whether or not recorded), and other such inquiries as the Committee or the independent auditors shall deem appropriate.

- o Issuing annually a report to be included in the Company's proxy statement as required by the rules of the Securities and Exchange Commission.
- o Discussing with management and/or the Company's general counsel any legal

Edgar Filing: CEL SCI CORP - Form PRE 14A

matters (including the status of pending litigation) that may have a material impact on the Company's financial statements, and any material reports or inquiries from regulatory or governmental agencies.

Reviewing the annual management letter with the independent auditors and discussing with management and the independent auditors the quality and adequacy of and compliance with the Company's internal controls.

PROXY

CEL-SCI CORPORATION

This Proxy is solicited by the Company's Board of Directors

The undersigned stockholder of the Company, acknowledges receipt of the Notice of the Annual Meeting of Stockholders, to be held _____, 2003, 11:00 A.M. local time, at _____ and hereby appoints Maximilian de Clara or Geert R. Kersten with the power of substitution, as Attorneys and Proxies to vote all the shares of the undersigned at said annual meeting of stockholders and at all adjournments thereof, hereby ratifying and confirming all that said Attorneys and Proxies may do or cause to be done by virtue hereof. The above named Attorneys and Proxies are instructed to vote all of the undersigned's shares as follows:

(1) To elect the directors who shall constitute the Company's Board of Directors for the ensuing year.

FOR all nominees listed below (except as marked to the contrary below)

WITHHOLD AUTHORITY to vote for all nominees listed below

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW)

Nominees: Maximilian de Clara Geert R. Kersten Alexander G. Esterhazy

C. Richard Kinsolving Peter R. Young

(2) To approve the adoption of the Company's 2003 Incentive Stock Option Plan.

FOR AGAINST ABSTAIN

(3) To approve the adoption of the Company's 2003 Non-Qualified Stock Option Plan.

Edgar Filing: CEL SCI CORP - Form PRE 14A

FOR AGAINST ABSTAIN

(4) To approve the adoption of the Company's 2003 Stock Bonus Plan.

FOR AGAINST ABSTAIN

(5) To approve the issuance of such number of shares of common stock as may be required by the terms of the Company's Series G and Series H notes and Series G and Series H warrants

FOR AGAINST ABSTAIN

(6) To ratify the appointment of Deloitte & Touche as the Company's independent accountants for the fiscal year ending September 30, 2003.

FOR AGAINST ABSTAIN

To transact such other business as may properly come before the meeting.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED HEREIN BY THE UNDERSIGNED STOCK-HOLDER. IF NO DISCRETION IS INDICATED, THIS PROXY WILL BE VOTED IN FAVOR OF ITEMS 1 THROUGH 6.

Dated this day of , 2003.

(Signature)

(Signature)

Please sign your name exactly as it appears on your stock certificate. If shares are held jointly, each holder should sign. Executors, trustees, and other fiduciaries should so indicate when signing.

Please Sign, Date and Return this Proxy so that your shares may be voted at the meeting.