

CLEVELAND BIOLABS INC
Form PRE 14A
April 27, 2007

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CLEVELAND BIOLABS, INC.
(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):

- No fee required.
- \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
- 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:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

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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CLEVELAND BIOLABS, INC.

ANNUAL MEETING OF STOCKHOLDERS

June 12, 2007

NOTICE AND PROXY STATEMENT

CLEVELAND BIOLABS, INC.

May __, 2007

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2007 Annual Meeting of Stockholders of Cleveland BioLabs, Inc. (the "Company" or "CBL") to be held at the InterContinental Hotel, 9801 Carnegie Avenue, Cleveland, Ohio 44106 on June 12, 2007, at 10:00 a.m., Eastern Time.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement describe in detail the matters that we expect to be acted upon at the Annual Meeting. Summarized briefly, they consist of the proposals listed below.

- First, to elect each of the Company's seven directors to an additional one-year term expiring at the 2008 Annual Meeting;
- Second, to ratify the appointment of Meaden & Moore, Ltd. by the Audit Committee of the Board of Directors as the Company's independent auditor for the fiscal year ending December 31, 2007; and
 - Third, to approve the issuance of shares of common stock issuable upon:
 - conversion of shares of Series B Convertible Preferred Stock (the "Series B Preferred");
 - exercise of Series B Warrants to purchase shares of common stock; and
 - exercise of Series C Warrants to purchase shares of common stock.

The Series B Preferred, Series B Warrants and Series C Warrants were issued in connection with a private placement consummated on March 16, 2007 between the Company and various accredited investors. Under The NASDAQ Marketplace Rules, stockholder approval of this issuance is required because:

- these securities can be converted into, or exercised for, a number of shares greater than 20% of the number of shares of common stock outstanding before the private placement; and
-

- the issuance of these securities is deemed, under The NASDAQ Marketplace Rules, to be an issuance of shares of common stock at a price less than the greater of book or market value of the Company's common stock, as of the date of the private placement.

Proposal 3 of the Proxy Statement discusses the private placement in more detail, and the full text of the agreements that the Company entered into to consummate the private placement, along with documents that fully define the terms of the securities issued in the transaction, are attached to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 19, 2007. In connection with the private placement, our stockholders who owned 5% or more of our outstanding common stock prior to the private placement entered into a Voting Agreement whereby each such stockholder agreed to vote all of its shares in favor of the issuance of all of the Common Stock issuable upon conversion of the Series B Preferred and exercise of the Series B Warrants and Series C Warrants. These stockholders, together with the holders of the Series B Preferred that are eligible to vote at the annual meeting, hold a sufficient number of shares to approve Proposal 3, even if no other shares are voted in favor of it.

The Board of Directors of the Company recommends that you vote "FOR" each proposal set forth in this Notice and Proxy Statement.

A copy of the Company's annual report to stockholders is enclosed for your information. During the Annual Meeting, stockholders will view a presentation by CBL's management and have the opportunity to ask questions.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. Regardless of the number of shares you own, please vote your shares as soon as possible. For your convenience, you may vote by telephone by calling toll-free at 1-866-894-0537 or via the Internet at www.continentalstock.com and following the instructions on the enclosed voting instruction card. Alternatively, you may sign and date the enclosed proxy card and promptly return it to us in the enclosed postage paid envelope. If you sign and return your proxy card without specifying your choices, your shares will be voted in accordance with the recommendations of the Board of Directors contained in the Proxy Statement.

We look forward to seeing you on June 12, 2007.

Sincerely,

BERNARD L. KASTEN
Chairman of the Board

CLEVELAND BIOLABS, INC.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 12, 2007**

To the Stockholders of
Cleveland BioLabs, Inc.:

The Annual Meeting of Stockholders of Cleveland BioLabs, Inc. ("CBL") will be held at 10:00 a.m., Eastern Time, on June 12, 2007, at the InterContinental Hotel, 9801 Carnegie Avenue, Cleveland, Ohio 44106 for the following purposes:

- (1) To elect seven directors to CBL's Board of Directors;
- (2) To ratify the appointment of Meaden & Moore, Ltd. by the Audit Committee of the Board of Directors as the independent auditor of CBL's financial statements for the fiscal year ending December 31, 2007;
- (3) To approve the issuance of shares of CBL's common stock issuable upon conversion of shares of CBL's Series B Convertible Preferred Stock and/or exercise of Series B Warrants and Series C Warrants to purchase shares of common stock, which preferred stock and warrants were issued pursuant to the Securities Purchase Agreement entered on March 16, 2007, by and among CBL and the buyers listed therein; and
- (4) To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on April 17, 2007, as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting. This Proxy Statement and the enclosed proxy are first being mailed to stockholders entitled to notice of and to vote at the Annual Meeting on or about May __, 2007.

By order of the Board of Directors,

Yakov Kogan
Executive Vice President and Secretary
Cleveland, Ohio
May __, 2007

All stockholders are urged to attend the meeting in person or by proxy. Whether or not you expect to be present at the meeting, please either (1) vote your shares by telephone or on the Internet by following the instructions on the voting instruction card, or (2) complete, sign and date the enclosed proxy card and return it promptly in the enclosed postage paid envelope furnished for that purpose.

Cleveland BioLabs, Inc.
11000 Cedar Avenue
Suite 290
Cleveland, Ohio 44106
(216) 229-2251

PROXY STATEMENT

Why did I receive these proxy materials?

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Cleveland BioLabs, Inc., a Delaware corporation (“CBL,” the “Company,” “we,” “us” or “our”), of proxies to be voted at our 2007 Annual Meeting of Stockholders and at any adjournment or postponements thereof.

You are invited to attend our 2007 Annual Meeting of Stockholders on June 12, 2007, beginning at 10:00 a.m., Eastern Time. The Annual Meeting will be held at the InterContinental Hotel, 9801 Carnegie Avenue, Cleveland, Ohio 44106. During the Annual Meeting, stockholders will view a presentation by our management and have the opportunity to ask questions. Representatives from our auditor, Meaden & Moore, Ltd., will also be available to answer questions.

This Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy are being mailed to stockholders starting on or about May ____, 2007.

Who is entitled to vote at the Annual Meeting?

Holders of CBL common stock, par value \$0.005 per share (the “Common Stock”), as of the close of business on April 17, 2007 (the “Record Date”) are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournments thereof. As of the Record Date, CBL had outstanding 12,004,099 shares of Common Stock.

To comply with The NASDAQ Marketplace Rules, the terms of the Series B Convertible Preferred Stock (the “Series B Preferred”) limit the number of shares of Series B Preferred that are eligible to be voted at the Annual Meeting to 2,376,000 shares of Series B Preferred (the “Eligible Series B Preferred”), which equates to less than 20% of our outstanding Common Stock before the private placement was consummated. Each share of the Eligible Series B Preferred is entitled to the number of votes equal to the number of shares of Common Stock that such share could be converted into as of the Record Date. As of the Record Date, each share of Eligible Series B Preferred was convertible into one share of Common Stock and therefore entitles its holder to one vote. In the aggregate, there are a total of 14,380,099 shares entitled to vote at the Annual Meeting.

Who can attend the Annual Meeting?

All stockholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Seating will be limited.

What do I need to present for admission to the Annual Meeting?

You will need to present proof of your record or beneficial ownership of Common Stock, such as a bank or brokerage account statement, and a form of personal identification to be admitted to the Annual Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

If your shares are registered directly in your name with CBL's transfer agent, Continental Stock Transfer & Trust Company, you are considered, with respect to those shares, a "stockholder of record." The Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy have been sent directly to you by CBL.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the "beneficial owner" of shares held in street name. The Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

What constitutes a quorum?

The required quorum for transaction of business at the Annual Meeting will be a majority of the shares of Common Stock and Eligible Series B Preferred issued and outstanding as of the Record Date. Votes cast by proxy or in person and entitled to be cast at the Annual Meeting will be tabulated by the election inspector appointed for the meeting and will determine whether or not a quorum is present.

What is the Board of Directors' recommendation with respect to each proposal?

- The Board of Directors recommends that you:
 - vote FOR all of the Board of Directors' nominees for election as directors;
 - vote FOR the ratification of the appointment of Meaden & Moore, Ltd. as the independent auditor of our financial statements for the year ending December 31, 2007; and
 - vote FOR the approval of the issuance of shares of Common Stock that are issuable upon conversion of the Series B Preferred or exercise of Series B Warrants and Series C Warrants (collectively, the "Warrants") that were issued pursuant to the Securities Purchase Agreement dated March 16, 2007, by and among the Company and the buyers listed therein.

What vote is required to approve each proposal?

- *Election of Directors.* A plurality of all the votes cast at the Annual Meeting shall be sufficient to elect a director, which means that the seven persons receiving the highest number of “FOR” votes will be elected. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. Since the seven nominees for the Board of Directors are running uncontested, each of the nominees will be elected, regardless of how many votes are withheld with respect to such nominee.
- *Ratification of Auditor.* The affirmative vote of a majority of the shares of Common Stock and Eligible Series B Preferred represented in person or by proxy and entitled to be cast at the Annual Meeting is required to ratify the appointment by the Audit Committee of Meaden & Moore, Ltd. as the independent auditor of CBL’s financial statements for the year ending December 31, 2007.
- *Approval of Issuance of Securities Convertible or Exercisable into Common Stock.* The affirmative vote of a majority of the shares of Common Stock and Eligible Series B Preferred represented in person or by proxy and entitled to be cast at the Annual Meeting is required to approve the issuance of shares of Common Stock that are issuable upon conversion of Series B Preferred or exercise of Warrants that were issued pursuant to the Securities Purchase Agreement dated March 16, 2007. You should be aware that certain of our stockholders agreed to vote in favor of the issuance pursuant to the Voting Agreement (defined and described under Proposal 3). Shares held by these stockholders, together with the shares of Eligible Series B Preferred, accounted for approximately 63% of all votes entitled to be cast as of the Record Date.

What is the private placement?

On March 16, 2007, we entered into a Securities Purchase Agreement (the “Purchase Agreement”) with various accredited investors (the “Buyers”), pursuant to which the Company agreed to sell to the Buyers Series B Preferred that are convertible, upon stockholder approval, into an aggregate of 4,288,712 shares of our Common Stock and Series B Warrants that are exercisable, upon stockholder approval, for an aggregate of 2,144,356 shares of our Common Stock. The Series B Preferred have an initial conversion price of \$7.00 per share, and in the event of a conversion at such conversion price, one share of Series B Preferred would convert into one share of Common Stock. The Series B Warrants have an exercise price of \$10.36 per share, the closing bid price on the day prior to the private placement. To the extent, however, that the conversion price of the Series B Preferred or the exercise price of the Series B Warrants is reduced as a result of the anti-dilution protections described herein, the number of shares of Common Stock into which the Series B Preferred are convertible and for which the Series B Warrants are exercisable may increase.

The aggregate purchase price paid by the Buyers for the Series B Preferred and Series B Warrants was approximately \$30,000,000. After related fees and expenses, we received net proceeds of approximately \$29,000,000. The Company intends to use the proceeds for general corporate and working capital purposes.

The Company also issued to the placement agents in the private placement (the “Agents”) as compensation for their services, Series B Preferred, Series B Warrants, and Series C Warrants. The Agents collectively received Series B Preferred that are convertible, upon stockholder approval, into 290,298 shares of Common Stock, Series B Warrants to purchase 221,172 shares of the Company’s Common Stock, and Series C Warrants to purchase 267,074 shares of the Company’s Common Stock.

In total, upon stockholder approval, the securities issued in the private placement will be convertible into, or exercisable for, up to approximately 7,211,612 shares of our Common Stock, which amount is subject to adjustment in the event of certain corporate events such as stock splits or issuances of securities at a price below the conversion price of the Series B Preferred or exercise price of the Warrants, as the case may be.

Why is the Company seeking stockholder approval for the issuance of the securities pursuant to the private placement?

Because our Common Stock is listed on The NASDAQ Capital Market, we are subject to NASDAQ Marketplace Rules. Under NASDAQ Marketplace Rule 4350(i)(1)(D)(ii), we must obtain stockholder approval for any issuance or sale of Common Stock, or securities convertible into, or exercisable for, Common Stock that is (1) equal to 20% or more of our outstanding Common Stock before the issuance or sale and (2) at a price per share below the greater of book or market value of our Common Stock at the time of the issuance or sale. Thus, stockholder approval is required in this instance for the following reasons:

- In the private placement, we issued securities convertible into, or exercisable for, approximately 7,211,612 shares of Common Stock, which was in excess of 20% of the outstanding Common Stock before the issuance or sale. But because of the limitation imposed by The NASDAQ Marketplace Rules, we and the Buyers have agreed that we may not issue any shares of Common Stock upon conversion of the Series B Preferred or exercise of any Series B Warrant if the conversion or exercise would cause us to issue an aggregate of more than 2,377,819 shares of Common Stock (which equates to approximately 19.99% of our total outstanding Common Stock prior to the private placement). Accordingly, among the securities issued in the private placement, only 2,376,000 shares of Series B Preferred could, as of the Record Date, be converted into Common Stock. We therefore agreed in the Purchase Agreement that we would seek the approval of our stockholders for the issuance of the shares of Common Stock underlying the Series B Preferred, Series B Warrants and Series C Warrants.
- Each Buyer in the private placement purchased the securities in the form of investment units. Each investment unit consisted of two shares of Series B Preferred, each convertible into one share of Common Stock, and a Series B Warrant (with an exercise price of \$10.36) to purchase one share of our Common Stock, in each case subject to adjustment for anti-dilution or other events as described herein. The purchase price for each investment unit was \$14.00. Each share of Common Stock deemed to have been issued in the private placement was therefore issued for less than the \$10.19 closing price of our Common Stock on The NASDAQ Capital Market on March 16, 2007.

Why does the Board of Directors believe it is in the best interests of the Company to issue the securities pursuant to the private placement?

Upon assessing our short-term and long-term capital requirements and the Company's projected operating losses, we considered various financing alternatives and consulted with financial and other advisors. With respect to this transaction, our Board of Directors was particularly diligent because of the participation of Sunrise Securities Corp. ("SSC") as lead placement agent for the private placement and the simultaneous participation of SSC's affiliate Sunrise Equity Partners, LP ("SEP") as a Buyer. SSC and SEP collectively owned more than 10% of the Company's outstanding Common Stock prior to the private placement. Our Board of Directors consulted with a third party financial advisor, reviewed other information regarding transactions of this nature and took into account, in light of the Company's capital requirements, the likelihood and timing of consummating this or similar transactions. Only after concluding that the terms of the private placement were reasonable, usual and customary, and also in the best interests of the Company and its stockholders, did the Audit Committee and the Board authorize management to proceed to completion.

The \$29 million of net proceeds acquired in the transaction will be essential in providing us with the capital necessary to pursue our research, development, clinical and regulatory objectives.

What if Proposal 3 is not approved?

Pursuant to the Purchase Agreement, we agreed to seek stockholder approval of the issuance of the securities pursuant to the private placement no later than June 20, 2007. If we obtain stockholder approval at the 2007 Annual Meeting of Stockholders, this provision will have been satisfied. However, if stockholder approval is not obtained at the 2007 Annual Meeting, we are obligated under the Purchase Agreement to cause an additional stockholder meeting to be held each three month period thereafter until stockholder approval is obtained.

Furthermore, if on or after September 16, 2007 (the date on which the Series B Warrants are first exercisable), the holders of Series B Warrants exercisable for approximately 1,188,000 shares of Common Stock seek to exercise those warrants for Common Stock but are prevented from doing so because stockholder approval has not been obtained, the Company will be required to pay cash, instead of issuing Common Stock, equal to the difference between the weighted-average price of the Common Stock on The NASDAQ Capital Market and the exercise price, as of the date of the attempted exercise.

Finally, until stockholder approval is obtained, Series B Preferred convertible into approximately 2,203,010 shares of Common Stock, Series B Warrants exercisable for approximately 1,177,528 shares of Common Stock, and all of the Series C Warrants issued in the private placement will not be convertible or exercisable

Will the issuance of the securities pursuant to the private placement dilute the existing stockholders' percentage of ownership in the Company?

The issuance of shares of Common Stock that are issuable upon conversion of the Series B Preferred or upon exercise of the Warrants will dilute your existing holdings of Common Stock upon conversion or exercise of those securities. Specifically, upon receipt of stockholder approval, the securities issued pursuant to the private placement will be convertible into, or exercisable for, a total of approximately 7,211,612 shares of Common Stock. Upon the conversion and exercise of all of these securities into Common Stock (and assuming no changes to the rate at which the Series B Preferred convert into Common Stock or to the amount of shares for which the Warrants are exercisable, and no further increases to the number of shares of Common Stock outstanding), the aggregate ownership of all holders of the Company's Common Stock prior to the private placement will be reduced to approximately 62% of outstanding shares.

In addition, the Series B Preferred and the Warrants contain certain anti-dilution provisions that, if triggered, could have the effect of increasing the number of shares of Common Stock into which a share of Series B Preferred is convertible and for which each Warrant is exercisable. These provisions come into effect if the Company, among other things, issues shares of Common Stock, options to purchase shares of Common Stock or securities convertible into or exercisable for shares of Common Stock, in each case at a price deemed lower than the conversion price of the Series B Preferred or the exercise price of the Warrant then in effect. These provisions are not triggered by issuances pursuant to any stock incentive plan approved by our Board of Directors and stockholders, conversion of the Series B Preferred or exercise of the Warrants, an underwritten public offering that generates gross proceeds to the Company in excess of \$20,000,000, or conversion or exercise of securities convertible into or exercisable for shares of Common Stock outstanding prior to the private placement.

If the anti-dilution provisions are triggered, the conversion price of the Series B Preferred and the exercise price of the Warrants would be reduced pursuant to a pre-determined formula that takes into account, on a “weighted-average” basis, the relative size of the issuance and the price at which the new securities were deemed to be issued. The reduced conversion price of the Series B Preferred, in turn, has the effect of increasing the number of shares of Common Stock into which a share of Series B Preferred is convertible. And, in the case of the Warrants, the number of shares of Common Stock for which the Warrants are exercisable would be proportionately increased. Accordingly, if these anti-dilution protections were triggered, the dilutive effect of the private placement could be substantially greater.

How do I vote?

If you complete and properly sign and return the accompanying proxy card, it will be voted as directed on such proxy card. You may also vote by telephone or via the Internet by following the instructions on the voting instruction card accompanying this Proxy Statement. The deadline for voting by telephone or via the Internet is 7:00 p.m., Eastern Time, on June 11, 2007.

If you are a stockholder of record and attend the Annual Meeting, you may deliver your completed proxy card in person. If, however, you hold your shares in “street name” and wish to vote at the annual meeting, you will need to obtain a proxy from the bank, broker or other nominee that holds your shares and present it at the Annual Meeting.

Who are the persons selected by CBL’s Board of Directors to serve as proxies?

Michael Fonstein and John A. Marhofer, Jr., the persons named as proxies on the proxy card accompanying this Proxy Statement, were selected by the Board of Directors to serve in such capacity. Michael Fonstein is the Chief Executive Officer and President of the Company, and John A. Marhofer, Jr. is the Chief Financial Officer of the Company.

Who will count the vote?

At the Annual Meeting, the results of stockholder voting will be tabulated by the inspector of elections appointed by CBL for the meeting.

Will abstentions and broker non-votes affect the voting results?

Abstentions will be counted by the election inspector towards determining whether a quorum is present. With respect to Proposals 2 and 3, which require approval of a majority of shares entitled to vote and represented in person or by proxy, abstentions will have the same effect as voting against the proposal. With respect to Proposal 1, for which each nominee must receive a plurality of shares entitled to vote and represented in person or by proxy, abstentions will have no legal effect on the outcome of the vote.

Broker non-votes are proxies received from brokers or nominees when the broker or nominee has neither received instructions from the beneficial owner or other persons entitled to vote nor has discretionary power to vote on a particular matter. Brokers only possess discretionary power over matters that are considered routine, such as the uncontested election of directors described in Proposal 1 or the approval of auditors described in Proposal 2. In contrast, brokers do not have discretionary authority to vote shares held in "street name" on non-routine matters, such as the private placement described under Proposal 3, without your instructions.

Broker non-votes will be counted by the election inspector towards determining whether a quorum is present. Broker non-votes will not be counted as present and entitled to vote on a particular proposal and therefore will have no effect on the outcome of the vote on any proposal.

Stockholders are advised to forward their voting instructions promptly so as to afford brokers sufficient time to process such instructions.

Can I change my vote or revoke my proxy after I return my proxy card or vote by telephone or Internet?

Yes. Even after you have submitted your proxy, whether by sending in a proxy card, or voting by telephone or on the Internet, you may change your vote at any time before the proxy is exercised by filing with CBL's Secretary a notice of revocation or by submitting another proxy, whether by sending in a proxy card, or voting by telephone or on the Internet, which proxy bears a later date. If you vote in person at the Annual Meeting, a previously granted proxy will be revoked. However, attendance at the Annual Meeting will not by itself revoke a previously granted proxy. For shares held in "street name," you may revoke your previously granted proxy by submitting new voting instructions to your bank, broker or other nominee or contacting the person responsible for your account and instructing that person to execute on your behalf the proxy card as soon as possible.

Could other matters be decided at the Annual Meeting?

Yes. As of the date of this Proxy Statement, we did not know of any matters to be raised at the Annual Meeting other than those referred to in this Proxy Statement. If any other items or matters properly come before the Annual Meeting, the proxies received will be voted on those items or matters in accordance with the discretion of the proxy holders.

Is there a list of stockholders entitled to vote at the Annual Meeting?

Yes. A list of stockholders entitled to vote at the Annual Meeting, arranged in alphabetical order, showing the address of, and number of shares registered in the name of, each stockholder, will be open to the examination of any stockholder, for any purpose germane to the Annual Meeting, during ordinary business hours, commencing June 1, 2007, and continuing through the date of the Annual Meeting, at the principal offices of CBL, 11000 Cedar Avenue, Suite 290, Cleveland, Ohio 44106.

Can I access the Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders on the Internet?

CBL's Annual Report to Stockholders for the year ended December 31, 2006, containing financial and other information pertaining to CBL, is being furnished to stockholders with this Proxy Statement. The Notice of Annual Meeting of Stockholders, Proxy Statement, Form 10-KSB and Annual Report to Stockholders are available on the Company's website at www.cbilabs.com under the link "Investor Information."

PROPOSAL 1 ELECTION OF DIRECTORS

CBL's Board of Directors consists of seven directors, each of whom is a nominee in the current election. If elected, the seven nominees for election as directors at CBL's 2007 Annual Meeting of Stockholders will serve for one year terms expiring at CBL's 2008 Annual Meeting of Stockholders. The Board of Directors recommends that the stockholders vote in favor of the election of the nominees named in this Proxy Statement to serve as directors of CBL. See "Nominees" below.

In accordance with NASDAQ Marketplace Rule 4350(c), and the standard of independence defined in NASDAQ Marketplace Rule 4200(a)(15), a majority of CBL's Board of Directors are "independent directors." CBL's independent directors are James J. Antal, Paul E. DiCorleto, Bernard L. Kasten, and H. Daniel Perez. In making the determination of independence with respect to Dr. DiCorleto, the Nominating and Corporate Governance Committee of the Board of Directors considered Dr. DiCorleto's affiliation with the Cleveland Clinic and satisfied itself that this affiliation does not detract or interfere with Dr. DiCorleto's ability to exercise independent judgment in carrying out his responsibilities as director and serving the best interests of our stockholders. Messrs. Antal, Kasten and Perez make up our Compensation Committee, Nominating and Corporate Governance Committee and Audit Committee. As members of CBL's Audit Committee, Messrs. Antal, Kasten, and Perez meet the additional independence requirements for audit committee members under NASDAQ Marketplace Rule 4350(d). Specifically, Messrs. Antal, Kasten, and Perez satisfy the criteria for independence set forth in Rule 10a-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and have not participated in the preparation of the financial statements of the company or any current subsidiary of the company at any time during the past three years.

The Nominating and Corporate Governance Committee of the Board has reviewed the performance of all current directors, and has recommended that all nominees be approved for reelection. If at the time of the Annual Meeting, any of the Board of Directors' nominees should be unable or decline to serve, the persons named as proxies on the proxy card will vote for such substitute nominee or nominees as the Board of Directors recommends, or vote to allow the vacancy created thereby to remain open until filled by the Board of Directors, as the Board of Directors recommends. The Board of Directors has no reason to believe that any of the nominees will be unable or decline to serve as a director if elected.

NOMINEES

The names of the nominees for the office of director, together with certain information concerning such nominees, are set forth below:

Name	Age	Position with CBL
Bernard L. Kasten (1)(2)	60	Chairman of the Board
James J. Antal (1)(2)	56	Director
Paul E. DiCorleto (2)	55	Director
Michael Fonstein, Ph.D.	47	Director, President and Chief Executive Officer
Andrei Gudkov, Ph.D.	50	Director, Chief Scientific Officer
Yakov Kogan, Ph.D.	34	Director, Executive Vice President, Business Development
H. Daniel Perez (1)(2)	57	Director

(1) Member of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee.

(2) Determined to be independent, in accordance with NASDAQ Marketplace Rules.

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Bernard L. Kasten, M.D. Dr. Kasten became a member of our board on July 20, 2006 and was appointed Chairman of the Board on August 30, 2006. From 1995 to 2004, Dr. Kasten served at Quest Diagnostics Incorporated where he was Chief Laboratory Officer and most recently Vice President of Medical Affairs of its MedPlus Inc. subsidiary. Dr. Kasten served as a director of SIGA Technologies from May 2003 to December 2006, and as SIGA's Chief Executive Officer from July 2004 through April 2006. Dr. Kasten currently serves as a director of GeneLink Inc. and SeraCare Life Sciences Inc. Dr. Kasten is also a director of several privately held companies. Dr. Kasten is a graduate of the Ohio State University College of Medicine. His residency was served at the University of Miami, Florida, and he was awarded fellowships at the National Institutes of Health Clinical Center and NCI, Bethesda, Maryland. He is a diplomat of the American Board of Pathology with certification in anatomic and clinical pathology with sub-specialty certification in Medical Microbiology.

James J. Antal Mr. Antal became a member of our board on July 20, 2006. Mr. Antal served as Chief Financial Officer of Experian from 1996 to 2001 and as Chief Investment Officer of Experian from 2001 to 2002. Experian is a leading global provider of consumer and business credit information, direct marketing information services, and integrated customer relationship management processes. He also served on the Board of Directors of First American Real Estate Solutions, an Experian joint venture with First American Financial Corp. Mr. Antal earned a Bachelor of Science degree in Business Administration with an Accounting major from The Ohio State University in 1973. He became a Certified Public Accountant (Ohio) in 1975. Starting in 2002, Mr. Antal served as an advisor to the board of directors for Plexus Vaccine, Inc., a biotech company, until it was acquired by SIGA Technologies in 2004. In December 2004, he joined the SIGA board of directors, and also currently serves on its audit and corporate governance committees. From May 2004 to August 2005, he was engaged as the Chief Financial Advisor to the Black Mountain Gold Coffee Co. In July 2005, he joined Pathway Data Inc, a privately held company engaged in consumer credit notification and identity theft assistance services, as its part-time Chief Financial Officer.

Paul E. DiCorleto, Ph.D. Dr. DiCorleto has served as one of our directors since 2004. He is the Chairman of the Lerner Research Institute of the Cleveland Clinic and Chairman of the Department of Molecular Medicine at the Case School of Medicine. Dr. DiCorleto received his undergraduate training in chemistry at Rensselaer Polytechnic Institute and his doctorate in biochemistry from Cornell University. Dr. DiCorleto's research focuses on the molecular and cellular basis of atherosclerosis. He has been with the Cleveland Clinic since 1981, having served previously as Chairman of the Department of Cell Biology, as an Associate Chief of Staff, and as a member of the Clinic's Board of Governors and Board of Trustees. Dr. DiCorleto is currently serving, as the most recent past president, on the Executive Committee of the North American Vascular Biology Organization, as chair of the Vascular Biology study section of the national American Heart Association, and as a member of the Association of American Medical Colleges' Advisory Panel on Research.

Michael Fonstein, Ph.D. Dr. Fonstein has served as our Chief Executive Officer, President, and as one of our directors since our inception in June 2003. He served as Director of the DNA Sequencing Center at the University of Chicago from its creation in 1994 to 1998, when he left to found Integrated Genomics, Inc. located in Chicago, Illinois. He served as CEO and President of Integrated Genomics from 1997 to 2003. Dr. Fonstein has won several business awards, including the Incubator of the Year Award from the Association of University Related Research Parks. He was also the winner of a coveted KPMG Illinois High Tech Award.

Andrei Gudkov, Ph.D., D. Sci. Dr. Gudkov has served as one of our directors and as our Chief Scientific Officer since our inception in June 2003. Prior to 1990, he worked at The National Cancer Research Center in Moscow, where he led a broad research program focused on virology and cancer drug resistance. In 1990, he reestablished his lab at the University of Illinois at Chicago where he became a tenured faculty member in the Department of Molecular Genetics. His lab concentrated on the development of new functional gene discovery methodologies and the identification of new candidate cancer treatment targets. In 1999, he defined p53 as a major determinant of cancer treatment side effects and suggested this protein as a target for therapeutic suppression. In 2001, Dr. Gudkov moved his laboratory to the Lerner Research Institute at the Cleveland Clinic where he became Chairman of the Department of Molecular Biology and Professor of Biochemistry at Case Western Reserve University. Dr. Gudkov has agreed to become Senior Vice President of Research Programming and Development for Roswell Park Cancer Institute effective in May 2007. He will also become an employee of CBL at that time.

Yakov Kogan, Ph.D. Dr. Kogan has served as one of our directors and as our Executive Vice President of Business Development since our inception in June 2003 and as Secretary since March 2006. From 2001 to 2004, as Director for Business Development at Integrated Genomics, Inc., he was responsible for commercial sales and expansion of the company's capital base. Prior to his tenure in business development, Dr. Kogan worked as a Group Leader/Senior Scientist at Integrated Genomics and ThermoGen, Inc. and as Research Associate at the University of Chicago. Dr. Kogan holds a Ph.D. degree in Molecular Biology from VNIIGenetica, as well as an M.S. degree in Biology from Moscow State University.

H. Daniel Perez, M.D. Dr. Perez became a member of our board on July 20, 2006. Dr. Perez is currently a Venture Partner at Bay City Capital, LLC, a venture firm located in San Francisco. From 2001 until 2006, Dr. Perez was the President and CEO of Berlex Biosciences. He joined Berlex Biosciences in 1993. Berlex Biosciences combined biotechnology and pharmaceutical discovery and development technologies to deliver innovative treatments for cardiovascular, cancer and immuno-based disorders. He earned his undergraduate degree at Mariano Moreno School, Argentina and graduated from Buenos Aires University Medical School. After completing an internship and residency in internal medicine at Beth Israel Medical Center in New York, Dr. Perez was a Fellow in Rheumatology at New York University-Bellevue Medical Center. He served on the NYU faculty until he was recruited by the University of California at San Francisco (UCSF) Medical School to start the Rosalind Russell Arthritis Center at San Francisco General Hospital under the direction of Dr. Ira Goldstein. Dr. Perez is currently a Professor of Medicine at UCSF.

The Board of Directors recommends that stockholders vote FOR all of the Board of Directors' nominees for election as directors.

DIRECTOR COMPENSATION

Currently, our independent directors, other than Dr. DiCorleto, are entitled to receive a payment of \$25,000 per year and \$2,500 for each meeting attended in excess of two throughout the year. For the partial year from July 20, 2006 (the effective date of our initial public offering) through December 31, 2006, we paid each of these three independent directors a fee of \$12,500 for their services as director. In addition, we also granted to each of these three independent directors options to purchase 15,000 shares of Common Stock at our initial public offering price of \$6.00 per share. All of those options vested immediately upon grant and are exercisable for ten years. Each of our independent directors is also reimbursed for reasonable out-of-pocket expenses incurred in attending Board of Directors or Board committee meetings. The total compensation of our non-employee directors for the year ended December 31, 2006 in their capacity as directors is shown in the table below.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$) (1)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Bernard L. Kasten	\$ 12,500	-	\$ 56,449	-	-	-	\$ 68,949
H. Daniel Perez	\$ 12,500	-	\$ 56,449	-	-	-	\$ 68,949
James J. Antal	\$ 12,500	-	\$ 56,449	-	-	-	\$ 68,949
Paul E. DiCorleto	-	-	-	-	-	-	\$ 0
Andrei Gudkov	-	-	-	-	-	-	\$ 0

- (1) Messrs. Kasten, Perez, and Antal each held fully vested options to purchase 15,000 shares of Common Stock outstanding as of December 31, 2006. Award amounts are calculated using the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123R, Share-Based Payment.

Board Meetings— During the year ended December 31, 2006, the Board of Directors held three meetings. Each director attended at least 75% of the aggregate number of Board of Directors meetings held during the time he served as a director and at least 75% of the total number of Committee meetings on which he served that were held during 2006. Directors are expected to attend the Annual Meeting, absent unusual circumstances.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee, each comprised entirely of directors who are “independent” as that concept is defined in the corporate governance listing requirements of The NASDAQ Capital Market. Each Committee has a written charter that is posted on the Company’s website, www.cbiolabs.com, under the link “Investor Information.” Each

of Messrs. Antal, Kasten, and Perez is independent under The NASDAQ Marketplace Rules and the Exchange Act. The members of the Audit Committee are Messrs. Antal (Chairperson), Kasten, and Perez. The members of the Compensation Committee are Messrs. Kasten (Chairperson), Antal, and Perez. The members of the Nominating and Corporate Governance Committee are Messrs. Kasten (Chairperson), Antal, and Perez. Executive sessions of the independent directors are to be held at least twice per year.

Audit Committee— The Audit Committee generally has direct responsibility and oversight for CBL’s accounting policies and internal controls, financial reporting practices, and legal and regulatory compliance. More specifically, the Audit Committee has responsibility to review and discuss the annual audited financial statements and disclosures with management and the independent auditor; review the financial statements and disclosures provided in CBL’s quarterly and periodic reports with management and the independent auditor; and oversee the external audit coverage, including appointment and replacement of the independent auditor and pre-approval of all audit and non-audit services to be performed by the independent auditor. The Board of Directors has determined that Mr. Antal is an “audit committee financial expert,” as that term is defined in the Securities and Exchange Commission (the “SEC”) rules adopted pursuant to the Sarbanes-Oxley Act. During the year ended December 31, 2006, the Audit Committee held one meeting. See “Report of the Audit Committee of the Board of Directors.”

Compensation Committee— The Compensation Committee determines and approves the compensation level of executive officers based on an evaluation of their performance in light of CBL’s goals and objectives. When determining the long-term incentive component of executive compensation, the Compensation Committee considers CBL’s performance and relative stockholder return, the value of similar incentive awards to executive officers in comparable positions at comparable companies, and awards given to executive officers in past years. The Compensation Committee makes recommendations to the full Board of Directors with respect to the adoption, amendment, termination, or replacement of both incentive-compensation plans and equity-based plans. The Compensation Committee has the power to retain professionals to assist in the evaluation of director and executive compensation, and has the sole authority to retain and terminate any such professional and to approve the professional’s fees. The Compensation Committee may also establish subcommittees of entirely independent directors to evaluate special or unique matters. During the year ended December 31, 2006, the Compensation Committee held one meeting.

Nominating and Corporate Governance Committee— The Nominating and Corporate Governance Committee generally has responsibility for identifying candidates who are eligible under the qualification standards set forth in CBL’s Corporate Governance Guidelines and recommending such eligible individuals to serve as members of the Board of Directors. It also makes recommendations to the Board of Directors concerning the structure and membership of other Board committees. The Nominating and Corporate Governance Committee is also charged with considering matters of corporate governance generally and reviewing and recommending to the Board of Directors, periodically, CBL’s corporate governance principles. During the year ended December 31, 2006, the Nominating and Governance Committee met informally, but did not convene a formal committee meeting due to the Company’s recent status as a public company.

Corporate Governance Guidelines— In May 2006, the Board of Directors adopted Corporate Governance Guidelines to assist the Board of Directors in fulfilling its responsibility to exercise its business judgment in what it believes to be the best interests of CBL’s stockholders. The Corporate Governance Guidelines are posted on the Company’s website, www.cbiolabs.com, under the link “Investor Information.”

Code of Ethics for Senior Executives and Code of Conduct— In May 2006, the Board of Directors adopted a Code of Ethics for Senior Executives that is specifically applicable to its executive officers and senior financial officers, including its principal executive officer and its principal financial officer. The Code of Ethics for Senior Executives is posted on the Company’s website, www.cbiolabs.com, under the link “Investor Information.” CBL has also adopted a Code of Conduct in order to promote honest and ethical conduct and compliance with the laws and governmental rules and regulations to which the Company is subject. The Code of Conduct is applicable to all of CBL’s employees, officers and directors, and is posted on the Company’s website, www.cbiolabs.com, under the link “Investor Information.”

Nominating Procedures— As described above, the Company has a standing Nominating and Corporate Governance Committee and its charter is posted on the Company’s website, www.cbiolabs.com, under the link “Investor Information.”

The Nominating and Corporate Governance Committee considers many factors when considering candidates for the Board of Directors and strives for the Board to be comprised of directors with a variety of experience and backgrounds, who have high-level managerial experience in a complex organization, and who represent the balanced interest of stockholders as a whole rather than those of special interest groups. Other important factors in Board composition include strength of character, mature judgment, specialized expertise, relevant scientific and technical skills, diversity, level of education, broad-based business acumen, experience and understanding of strategy and policy-setting and the extent to which the candidate would fill a present need on the Board. Depending upon the current needs of the Board, certain factors may be weighed more or less heavily by the Nominating and Corporate Governance Committee.

In considering candidates for the Board, the Nominating and Corporate Governance Committee considers the entirety of each candidate’s credentials and does not have any specific minimum qualifications that must be met by a Nominating and Corporate Governance Committee or stockholder-recommended nominee. However, the Nominating and Corporate Governance Committee does believe that all members of the Board should have the highest character and integrity, a reputation for working constructively with others, sufficient time to devote to Board matters, and no conflict of interest that would interfere with their performance as a director. In the case of current Directors being considered for renomination, the Nominating and Corporate Governance Committee will also take into account the director’s history of attendance at meetings of the Board of Directors or its committees, the Director’s tenure as a member of the Board of Directors, and the Director’s preparation for and participation in such meetings.

The Nominating and Corporate Governance Committee considers candidates for the Board from any reasonable source, including stockholder recommendations. The Nominating and Corporate Governance Committee does not evaluate candidates differently based on who has made the proposal. The Nominating and Governance Committee has the authority under its charter to hire consultants or search firms to assist in the process of identifying and evaluating candidates. Candidates are recommended to the Board of Directors after consultation with the Chairman of the Board.

Stockholders who wish to suggest qualified candidates should write to the Office of the Secretary, Cleveland BioLabs, Inc., 11000 Cedar Avenue, Suite 290, Cleveland, Ohio 44106 specifying the name of the candidates and stating in detail the qualifications of such persons for consideration by the Nominating and Corporate Governance Committee. A written statement from the candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director should accompany any such recommendation. Stockholders who wish to nominate a director for election at an annual meeting of the stockholders of the Company must comply with the Company’s By-Laws regarding stockholder proposals and nominations. See “Proposals of Stockholders” contained herein under “Miscellaneous and Other Matters.”

Communications with the Board of Directors— Stockholders or other interested parties may communicate with the Board of Directors by sending a letter to CBL Board of Directors, c/o Office of the Secretary, 11000 Cedar Avenue, Suite 290, Cleveland, Ohio 44106. The Office of the Secretary will receive the correspondence and forward it to the Director or Directors to whom the communication is addressed. From time to time, the Board of Directors may change the process or means by which stockholders may communicate with the Board or its members. Please refer to CBL's website, www.cbiolabs.com, for any changes in this process.

Transactions with Related Parties— Pursuant to the Company's Code of Conduct, the Audit Committee must approve in advance any transaction that could involve an actual, potential or perceived conflict of interest, including transactions where employees or directors have a substantial financial interest in a competitor, customer or supplier of the Company, or where gifts or loans of value in excess of \$200 are received in a year from suppliers, customers or competitors of CBL. The policy also requires disclosure or approval where an employee or director owns a substantial interest in an entity that has a prospective business relationship with, or is a competitor of, CBL.

On or around May 31, 2006, we entered into a Collaboration Agreement with one of our stockholders, ChemBridge Corporation, which at the time beneficially owned approximately 6.12% of our Common Stock, whereby the parties agreed to collaborate on efforts to research and develop pharmaceutical compounds targeting renal cell carcinoma (a highly fatal form of kidney cancer) and other cancers. The financial commitment from each party depends on the success of each step of the project.

Pursuant to our existing license agreement with The Cleveland Clinic Foundation ("CCF"), we had accrued as of December 31, 2006, \$50,000 in milestone payments, which amount is payable in 2007. Since our inception, we have subcontracted with CCF for grants, and lab and other services, in the approximate amount of \$1,669,000.

As set forth in detail under Proposal 3 below, the private placement involved the issuance of securities to affiliated entities (SSC and SEP) that collectively owned more than 10% of the Company's outstanding Common Stock prior to the private placement. In addition, SSC's role as Agent in the private placement along with SEP's role as a Buyer, presented a potential conflict of interest. As such, it was subject to a detailed review, and subsequent approval by both the Audit Committee and our Board of Directors.