

CLEVELAND BIOLABS INC
Form PRE 14A
May 07, 2013

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

(Amendment No.)

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 Under Rule 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.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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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):

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No:

3) Filing party:

4) Date Filed:

PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION

May [], 2013

To Our Stockholders:

You are cordially invited to attend the 2013 annual meeting of stockholders of Cleveland BioLabs, Inc. to be held at 10:00 a.m. Eastern Time on June 14, 2013 at the company's headquarters, 73 High Street, Buffalo, NY 14203. Details regarding the meeting, the business to be conducted at the meeting, and information about Cleveland BioLabs, Inc. that you should consider when you vote your shares are described in this proxy statement.

At the annual meeting, eight persons will be elected to our Board of Directors. In addition, we will ask stockholders to ratify the selection of Meaden & Moore, Ltd. as our independent registered public accounting firm for our fiscal year ending December 31, 2013, to approve on an advisory basis the compensation of our named executive officers, as disclosed in this proxy statement, to approve the Cleveland BioLabs, Inc. 2013 Employee Stock Purchase Plan, a copy of which is attached as Appendix A to this proxy statement, and to approve an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 80,000,000 to 160,000,000. The Board of Directors recommends the approval of each of the five proposals. Such other business will be transacted as may properly come before the annual meeting.

We hope you will be able to attend the annual meeting. Whether you plan to attend the annual meeting or not, it is important that you cast your vote either in person or by proxy. 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 <http://www.cstproxyvote.com> and following the instructions on the enclosed proxy card. When you have finished reading the proxy statement, you are urged to vote in accordance with the instructions set forth in this proxy statement. We encourage you to vote by proxy so that your shares will be represented and voted at the meeting, whether or not you can attend.

Thank you for your continued support of Cleveland BioLabs, Inc. We look forward to seeing you at the annual meeting.

Sincerely,

DAVID C. HOHN
Chairman of the Board

PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION

May [], 2013

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

TIME: 10:00 a.m. Eastern Time

DATE: June 14, 2013

PLACE: Cleveland BioLabs, Inc.
73 High Street
Buffalo, New York 14203

PURPOSES:

1. To elect eight directors to serve one-year terms expiring at the 2014 Annual Meeting;
2. To ratify the appointment of Meaden & Moore, Ltd. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013;
3. To approve by an advisory vote the compensation of our named executive officers;
4. To approve the Cleveland BioLabs, Inc. 2013 Employee Stock Purchase Plan, a copy of which is attached as Appendix A to this proxy statement;
5. To approve an amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 80,000,000 to 160,000,000; and
6. To transact such other business that is properly presented at the annual meeting and any adjournments or postponements thereof.

WHO MAY VOTE:

You may vote if you were the record owner of Cleveland BioLabs, Inc. common stock at the close of business on April 16, 2013, the record date. A list of stockholders of record will be available at the annual meeting and, during the 10 days prior to the annual meeting, at our principal executive offices located at 73 High Street, Buffalo, New York 14203.

All stockholders are cordially invited to attend the annual meeting. Whether you plan to attend the annual meeting or not, we urge you to vote and submit your proxy by Internet, telephone or mail in order to ensure the presence of a quorum. You may change or revoke your proxy at any time before it is voted at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Leah Brownlee, J.D.
Corporate Secretary
Buffalo, New York

TABLE OF CONTENTS

	Page
IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING	3
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	10
MANAGEMENT AND CORPORATE GOVERNANCE	12
COMPENSATION DISCUSSION AND ANALYSIS	20
COMPENSATION COMMITTEE REPORT	30
RISKS RELATED TO COMPENSATION PRACTICES AND POLICIES	31
EXECUTIVE OFFICER AND DIRECTOR COMPENSATION	32
EQUITY COMPENSATION PLAN INFORMATION	42
REPORT OF AUDIT COMMITTEE	43
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	44
CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS	45
ELECTION OF DIRECTORS	46
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	47
ADVISORY VOTE ON EXECUTIVE COMPENSATION AS DISCLOSED IN THIS PROXY STATEMENT	49
APPROVAL OF THE CLEVELAND BIOLABS, INC. 2013 EMPLOYEE STOCK PURCHASE PLAN	50
APPROVAL OF TO APPROVE AN AMENDMENT TO THE COMPANY'S RESTATED CERTIFICATE OF INCORPORATION	55
OTHER MATTERS	57
PROPOSALS OF STOCKHOLDERS	57
APPENDIX A – 2013 EMPLOYEE STOCK PURCHASE PLAN	58

PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION

Cleveland BioLabs, Inc.

73 High Street

Buffalo, New York 14203

(716) 849-6810

PROXY STATEMENT FOR THE CLEVELAND BIOLABS, INC.

2013 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON

JUNE 14, 2013

This proxy statement, along with the accompanying notice of the 2013 Annual Meeting of Stockholders, contains information about the 2013 Annual Meeting of Stockholders of Cleveland BioLabs, Inc., including any adjournments or postponements of the annual meeting. We are holding the annual meeting at 10:00 a.m. Eastern Time, on June 14, 2013, at the company's headquarters, 73 High Street, Buffalo, New York 14203.

In this proxy statement, we refer to Cleveland BioLabs, Inc. as "Cleveland BioLabs," "CBLI," "the Company," "we," "us" and "our."

This proxy statement relates to the solicitation of proxies by our Board of Directors for use at the annual meeting.

On or about May 20, 2013, we will begin sending this proxy statement, the attached Notice of Annual Meeting of Stockholders and the enclosed proxy card to all stockholders entitled to vote at the annual meeting. Although not part of this proxy statement, we are also sending, along with this proxy statement, our 2012 annual report, which includes our financial statements for the fiscal year ended December 31, 2012.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
STOCKHOLDER MEETING TO BE HELD ON JUNE 14, 2013

This proxy statement and our 2012 annual report to stockholders are available for viewing, printing and downloading at <http://www.cstproxy.com/cbiolabs/2013>. To view these materials, please follow the instructions on the website or the proxy card you received. On this website, you can also elect to receive future distributions of our proxy statements and annual reports to stockholders by electronic delivery.

Additionally, you can find a copy of our Annual Report on Form 10-K, which includes our financial statements, for the fiscal year ended December 31, 2012 on the website of the Securities and Exchange Commission, or the SEC, at www.sec.gov, or in the "Investors" section of our website at <http://cbli.client.shareholder.com/proxy.cfm>. You may also obtain a printed copy of our Annual Report on Form 10-K, including our financial statements, free of charge, from us by sending a written request to:

Cleveland BioLabs, Inc.
73 High Street
Buffalo, New York 14203
Attention: Corporate Secretary

Exhibits will be provided upon written request and payment of an appropriate processing fee.

IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why is the Company soliciting my proxy?

The Board of Directors of Cleveland BioLabs, Inc. (the “Board”) is soliciting your proxy to vote at the 2013 Annual Meeting of Stockholders to be held at the Company’s headquarters located at 73 High Street, Buffalo, New York 14203, on June 14, 2013, at 10:00 a.m., Eastern Time, and any adjournments or postponements of the meeting, which we refer to as the Annual Meeting. The proxy statement along with the accompanying Notice of Annual Meeting of Stockholders summarizes the purposes of the meeting and the information you need to know to vote at the Annual Meeting.

We have sent you this proxy statement, the Notice of Annual Meeting of Stockholders, the proxy card and a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 because you owned shares of Cleveland BioLabs, Inc. common stock on April 16, 2013, the record date. The Company intends to commence distribution of the proxy materials to stockholders on or about May 20, 2013.

Who can vote?

Only stockholders who owned our common stock at the close of business on April 16, 2013 (the “record date”) are entitled to vote at the Annual Meeting. On the record date, there were 44,920,645 shares of our common stock outstanding and entitled to vote. Our common stock is our only class of voting stock.

You do not need to attend the Annual Meeting to vote your shares. Shares represented by valid proxies, received in time for the Annual Meeting and not revoked prior to the Annual Meeting, will be voted at the Annual Meeting. For instructions on how to change or revoke your proxy, see “May I change or revoke my proxy?” below.

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.

How many votes do I have?

Each share of our common stock that you own entitles you to one vote.

How do I vote?

Whether you plan to attend the Annual Meeting or not, we urge you to vote by proxy. All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card or as instructed via Internet or telephone. You may specify whether your shares should be voted for or against all, some or none of the nominees for director and whether your shares should be voted for, against or abstain with respect to each of the other proposals. If you properly submit a proxy without giving specific

voting instructions, your shares will be voted in accordance with the Board's recommendations as noted below. Voting by proxy will not affect your right to attend the Annual Meeting. If your shares are registered directly in your name through our stock transfer agent, Continental Stock Transfer & Trust

3

Company, or you have stock certificates registered in your name, you may vote:

- By Internet or by telephone. Follow the instructions included in the proxy card to vote by Internet or telephone.
- By mail. If you received a proxy card by mail, you can vote by mail by completing, signing, dating and returning the proxy card as instructed on the card. If you sign the proxy card, but do not specify how you want your shares voted, they will be voted in accordance with the Board's recommendations as noted below.
- In person at the meeting. If you attend the Annual Meeting, you may deliver a completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

Telephone and Internet voting facilities for stockholders of record will be available 24-hours a day and will close at 7:00 p.m. Eastern Time on June 13, 2013.

If your shares are held in "street name" (held in the name of a bank, broker or other holder of record), you will receive instructions from the holder of record. You must follow the instructions of the holder of record in order for your shares to be voted. Telephone and Internet voting also will be offered to stockholders owning shares through certain banks and brokers. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a legal proxy or broker's proxy card and bring it to the Annual Meeting in order to vote.

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 our transfer agent, Continental Stock Transfer & Trust Company, you are considered, with respect to those shares, a "stockholder of record." This proxy statement, the notice of annual meeting, the proxy card and a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 have been sent directly to you by us.

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." This proxy statement, the notice of annual meeting, the proxy card and a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 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.

How does the Board recommend that I vote on the proposals?

The Board recommends that you vote as follows:

- "FOR" the election of the nominees for director;
- "FOR" the ratification of the selection of Meaden & Moore, Ltd. as our independent registered public accounting firm for our fiscal year ending December 31, 2013;
- "FOR" the compensation of our named executive officers, as disclosed in this proxy statement (advisory vote);
- "FOR" the approval of the Cleveland BioLabs, Inc. 2013 Employee Stock Purchase Plan, a copy of which is attached as Appendix A to this proxy statement; and

- “FOR” the approval of an amendment to the Company’s Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 80,000,000 to 160,000,000.

If any other matter is presented at the Annual Meeting, your proxy provides that your shares will be voted by the proxy holder listed in the proxy in accordance with his best judgment. At the time this proxy statement was first made available, we knew of no matters that needed to be acted on at the Annual Meeting, other than those discussed in this proxy statement.

May I change or revoke my proxy?

If you give us your proxy, you may change or revoke it at any time before the Annual Meeting. You may change or revoke your proxy in any one of the following ways:

- by signing a new proxy card with a date later than your previously delivered proxy and submitting it as instructed above;
- by re-voting by Internet or by telephone as instructed above;
- by notifying the Secretary of the Company in writing before the Annual Meeting that you have revoked your proxy;
or
- by attending the Annual Meeting in person and voting in person. Attending the Annual Meeting in person will not in and of itself revoke a previously submitted proxy. You must specifically request at the Annual Meeting that it be revoked.

Your most current vote, whether by telephone, Internet or proxy card is the one that will be counted.

What if I receive more than one proxy card?

You may receive more than one proxy card if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described above under “How do I vote?” for each account to ensure that all of your shares are voted.

Will my shares be voted if I do not vote?

If your shares are registered in your name or if you have stock certificates, they will not be counted if you do not vote as described above under “How do I vote?” If your shares are held in street name and you do not provide voting instructions to the bank, broker or other nominee that holds your shares as described above, the bank, broker or other nominee that holds your shares has the authority to vote your non-voted shares only on the ratification of the appointment of our independent registered public accounting firm (Proposal 2 of this proxy statement) and the amendment to the Company’s Restated Certificate of Incorporation (Proposal 5 of this proxy statement) without receiving instructions from you. Therefore, we encourage you to provide voting instructions to your bank, broker or other nominee. This ensures your shares will be voted at the Annual Meeting and in the manner you desire.

A “broker non-vote” will occur if your broker cannot vote your shares on a particular matter because it has not received instructions from you and does not have discretionary voting authority on that matter or because your broker chooses not to vote on a matter for which it does have discretionary voting authority.

Your bank, broker or other nominee no longer has the ability to vote your uninstructed shares in the election of directors. Therefore, if you hold your shares in street name, it is critical that you cast your vote if you want your vote to be counted for the election of directors (Proposal 1 of this proxy statement). In addition, your bank, broker or other nominee is prohibited from voting your uninstructed shares on any matter related to executive compensation. Thus, if you hold your shares in street name and you do not instruct your bank, broker or other nominee how to vote in the election of directors or on matters related to executive compensation, including for the proposal to approve the Cleveland BioLabs, Inc. 2013 Employee

Stock Purchase Plan, no votes will be cast on these proposals on your behalf.

What vote is required to approve each proposal and how are votes counted?

Proposal 1: Elect Directors

The nominees for director who receive the most votes (also known as a “plurality” of the votes cast) will be elected. You may vote either FOR all of the nominees, WITHHOLD your vote from all of the nominees or WITHHOLD your vote from any one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of the directors. Brokerage firms do not have authority to vote customers’ non-voted shares held by the firms in street name for the election of the directors. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.

Proposal 2: Ratify Selection of Independent Registered Public Accounting Firm

The affirmative vote of a majority of the shares cast affirmatively or negatively for this proposal is required to ratify the selection of our independent registered public accounting firm. Abstentions will have no effect on the results of this vote. Brokerage firms have authority to vote customers’ non-voted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent registered public accounting firm. However, if our stockholders do not ratify the selection of Meaden & Moore, Ltd. as our independent registered public accounting firm for 2013, our Audit Committee of our Board will reconsider its selection.

Proposal 3: Approve an Advisory Vote on the Compensation of our Named Executive Officers

The affirmative vote of a majority of the shares cast affirmatively or negatively for this proposal is required to approve, on an advisory basis, the compensation of our named executive officers, as described in this proxy statement. Abstentions will have no effect on the results of this vote. Brokerage firms do not have authority to vote customers’ non-voted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote. Although the advisory vote is non-binding, the Compensation Committee and the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Proposal 4: Approval of the Cleveland BioLabs, Inc. 2013 Employee Stock Purchase Plan

The affirmative vote of a majority of the shares cast affirmatively or negatively for this proposal is required to approve the Cleveland BioLabs, Inc. 2013 Employee Stock Purchase Plan. Abstentions will have no effect on the results of this vote. Brokerage firms do not have authority to vote customers’ non-voted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have

no effect on the results of this vote.

Proposal 5: Approval of an amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of common stock 80,000,000 to 160,000,000

The affirmative vote of a majority of the shares of the Company's common stock having voting power outstanding on the record date for the annual meeting is required to approve the amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 80,000,000 to 160,000,000. Abstentions will have the same effect as an "against" vote. Brokerage firms have authority to vote customers' non-voted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have the same effect as an "against" vote.

Could other matters be decided at the Annual Meeting?

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.

What are the costs of soliciting these proxies?

We will pay all of the costs of soliciting these proxies. Our directors and employees and MacKenzie Partners, Inc. may solicit proxies in person or by telephone, fax or email. We will pay these employees and directors no additional compensation for these services but MacKenzie Partners, Inc. will be paid its customary fee of approximately \$10,000 plus out-of-pocket expenses if it solicits proxies. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their customers and to obtain authority to execute proxies. We will then reimburse them for their expenses.

What constitutes a quorum for the Annual Meeting?

The presence, in person or by proxy, of the holders of a majority of the voting power of all outstanding shares of our common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Votes of stockholders of record who are present at the Annual Meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

Who are the persons selected by the Board to serve as proxies?

Yakov Kogan and C. Neil Lyons, the persons named as proxies on the proxy card and voting instruction card accompanying this proxy statement, were selected by the Board to serve in such capacity. Yakov Kogan is the Chief Executive Officer of the Company and C. Neil Lyons 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 us for the meeting.

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 May 24, 2013, and continuing through the date of the Annual Meeting, at our principal offices located at 73 High Street,

7

Buffalo, New York 14203.

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

Our Annual Report to Stockholders for the year ended December 31, 2012, containing financial and other information pertaining to us, is being furnished to stockholders with this proxy statement. The notice of annual meeting of stockholders, proxy statement, proxy card, Form 10-K and Annual Report to Stockholders are available on the Internet at <http://www.cstproxy.com/cbiolabs/2013> and are also available on our website at www.cbiolabs.com under the link "Investors."

Attending the Annual Meeting

The Annual Meeting will be held at 10:00 a.m., Eastern Time, on June 14, 2013 at the Company's headquarters located at 73 High Street, Buffalo, New York 14203. When you arrive at the Company's headquarters, signs will direct you to the appropriate meeting rooms. You need not attend the Annual Meeting in order to vote.

Householding of annual disclosure documents

SEC rules concerning the delivery of annual disclosure documents allow us or your broker to send a single set of our proxy materials to any household at which two or more of our stockholders reside, if we or your broker believe that the stockholders are members of the same family. This practice, referred to as "householding," benefits both you and us. It reduces the volume of duplicate information received at your household and helps to reduce our expenses. The rule applies to our annual reports, proxy statements and information statements. Once you receive notice from your broker or from us that communications to your address will be "household," the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

If your household received a single set of proxy materials this year, but you would prefer to receive your own copy, please contact our transfer agent, Continental Stock Transfer & Trust Company, by calling their toll free number, 1-866-894-0537.

If you do not wish to participate in "householding" and would like to receive your own set of proxy materials in future years, follow the instructions described below. Conversely, if you share an address with another stockholder of CBLI and together both of you would like to receive only a single set of proxy materials, follow these instructions:

- If your shares are registered in your own name, please contact our transfer agent, Continental Stock Transfer & Trust Company, and inform them of your request by calling them at 1-866-894-0537 or writing them at 17 Battery Place, 8th Floor, New York, New York 10004, Attn: Proxy Department.
- If a broker or other nominee holds your shares, please contact the broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

Electronic Delivery of Company Stockholder Communications

Most stockholders can elect to view or receive copies of future proxy materials over the Internet instead of receiving paper copies in the mail.

You can choose this option and save the Company the cost of producing and mailing these documents by Continental Stock Transfer & Trust Company:

- following the instructions provided on your proxy card;
- following the instructions provided when you vote over the Internet; or
- going to <http://www.cstproxy.com/cbiolabs/2013> and following the instructions provided.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of April 1, 2012 for (a) the executive officers named in the Summary Compensation Table in the section titled "Executive Officer and Director Compensation," (b) each of our directors and director nominees, and (c) all of our current directors and executive officers as a group. As of April 1, 2012, to our knowledge, there were no stockholders that beneficially owned more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. We deem shares of common stock that may be acquired by an individual or group within 60 days of April 1, 2012 pursuant to the exercise of options or warrants to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Except as indicated in footnotes to this table, we believe that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them based on information provided to us by these stockholders. Percentage of ownership is based on 35,692,593 shares of common stock outstanding on April 1, 2012.

Name and Title	Shares Beneficially Owned Number	Percent
Directors and Executive Officers		
David C. Hohn Director, Chairman of the Board	79,584 (1)	*
Bernard L. Kasten Director	251,998 (2)	*
James J. Antal Director	260,258 (3)	*
Paul E. DiCorleto Director	235,656 (4)	*
Randy S. Saluck Director	373,847 (5)	*
Yakov Kogan Director, Chief Executive Officer	1,367,943 (6)	2.9%
Michael Fonstein Director, President	1,659,874 (7)	3.5%
Andrei Gudkov Director, Chief Scientific Officer	2,002,979 (8)	4.2%
C. Neil Lyons Chief Financial Officer	101,523 (9)	*
Jean Viallet Chief Development Officer	25,000(10)	*
All current directors and executive officers as a group (10 persons)	6,358,662	13.4%

* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

(2) Includes 225,000 shares issuable upon the exercise of options to purchase common stock. Also includes 10,000 shares held by a trust of which Dr. Kasten and members of his family are trustees and 2,000 shares held

through a brokerage account in the name of Dr. Kasten's daughter, over which Dr. Kasten has voting and investment power.

- (3) Includes 225,000 shares issuable upon the exercise of options to purchase common stock.
- (4) Includes 210,000 shares issuable upon the exercise of options to purchase common stock.
- (1) Includes 70,000 shares issuable upon the exercise of options to purchase common stock.
- (5) Includes 25,000 shares issuable upon the exercise of warrants to purchase common stock that are directly held by Mr. Saluck and 131,100 shares issuable upon the exercise of warrants to purchase common stock that are indirectly held by Mr. Saluck.
- (6) Includes 585,609 shares issuable upon the exercise of options to purchase common stock. Also includes 74,975 shares of common stock underlying options to purchase common stock and 44,859 shares of common held by Ms. Leah Brownlee, who is employed by us as Vice President - Compliance and Operations and Corporate Secretary. Dr. Kogan disclaims beneficial ownership over the shares beneficially owned directly by Ms. Brownlee. See "Certain Relationships and Related Person Transactions."
- (7) Includes 485,609 shares issuable upon the exercise of options to purchase common stock and 585,065 shares owned jointly with his wife. 200,000 of the shares beneficially owned by Dr. Fonstein have been pledged by him as security for an obligation.
- (8) Includes 485,609 shares issuable upon the exercise of options to purchase common stock.
- (9) Includes 81,250 shares issuable upon the exercise of options to purchase common stock
- (10) Comprised of 25,000 shares issuable upon the exercise of options to purchase common stock

MANAGEMENT AND CORPORATE GOVERNANCE

The Board of Directors

On May 7, 2013, our Board accepted the recommendation of the Nominating Committee and voted to nominate David C. Hohn, James J. Antal, Paul E. DiCorleto, Yakov Kogan, Andrei Gudkov, Julia R. Brown, Anthony Joseph Principi, and Randy Saluck for election at the Annual Meeting for a term of one year to serve until the 2013 Annual Meeting of Stockholders, and until their respective successors have been elected and qualified. Two members of our current Board, Bernard L. Kasten and Michael Fonstein, will retire from the Board at the meeting, following the expiration of their current terms.

Set forth below are the names of all of our current directors, their ages, their offices in the Company, if any, their principal occupations or employment for the past five years, the length of their tenure as directors and the names of other public companies in which such persons hold or have held directorships during the past five years. Additionally, information about the specific experience, qualifications, attributes or skills that led to our Board's conclusion at the time of filing of this proxy statement that each nominee should serve as a director is set forth below.

Name	Age	Position with the Company
David C. Hohn, M.D. (1)	71	Director, Chairman of the Board
James J. Antal (1)	62	Director
Paul E. DiCorleto, Ph.D. (1)	61	Director
Bernard L. Kasten, M.D.	66	Director
Yakov Kogan, Ph.D., MBA	40	Director, Chief Executive Officer
Michael Fonstein, Ph.D.	53	Director, President
Andrei Gudkov, Ph.D., D.Sci.	56	Director, Chief Scientific Officer
Julia R. Brown	66	Director
Anthony Joseph Principi, J.D.	69	Director
Randy S. Saluck, J.D., MBA	47	Director

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

David C. Hohn, M.D. Dr. Hohn has served as one of our directors since June 2011 and was appointed Chairman of our board in April 2013. From March 1997 to April 2007, Dr. Hohn served as President and Chief Executive Officer of the Roswell Park Cancer Institute and Principal Investigator on Roswell Park's National Cancer Institute Cancer Center Support Grant. Dr. Hohn retired from his position as President and Chief Executive Officer at Roswell Park Cancer Institute in Buffalo in April, 2007, assuming the title of President and Chief Executive Officer Emeritus and serving as its part-time Executive Director of Health Policy, a position in which Dr. Hohn serves as an advisor to management regarding federal health care policy. Additionally, Dr. Hohn serves as a member of the Conflict of Interest Committee at Roswell Park. Prior to joining Roswell Park, Dr. Hohn served as the Vice President for Patient Care at the M.D. Anderson Cancer Center in Houston, Texas. Until 2012, Dr. Hohn has been active in New York State cancer control initiatives with the American Cancer Society. In 2011, Dr. Hohn was also tasked with leading the planning for the development of a new pediatric hematology and oncology unit in the soon-to-be constructed new John R. Oishei Childrens Hospital, a joint project between Roswell Park and the Kaleida Health System. From 2004 to 2007, he was also a former Chair of the board of directors and member of the Executive Committee of the National Comprehensive Cancer Network, an alliance of 21 leading cancer centers, and serves as a member (and former Vice Chair) of the New York State Stem Cell Research (NYSTEM) Board. Since 2008, Dr. Hohn has served as a member of the board of directors of Calspan University of Buffalo Research Center (CUBRC), a non-profit contract research corporation that is a subsidiary of the State University of New York system. Dr. Hohn has previously served as a member of a number of Western New York civic and professional

boards, including Hauptmann Woodward Medical Institute, Buffalo Niagara Partnership and the Buffalo Philharmonic Orchestra. Dr. Hohn received his undergraduate degree in Chemistry in 1964 at the University of Illinois at Urbana and his Doctorate of Medicine in 1970 from the University of Illinois College of Medicine at Chicago. Dr. Hohn has significant experience in oncology and medical research, coupled with his experience leading a major cancer research center, and, as a result, provides our board with valuable knowledge to the benefit of the Company.

James J. Antal Mr. Antal became a member of our board in July 2006. Mr. Antal served as Chief Financial Officer of Experian Group Ltd. from 1996 to 2001 and as Chief Investment Officer 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. From 1997 to 2002, he also served on the board of directors of First American Real Estate Solutions, an Experian joint venture with First American Financial Corp. 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. From July 2005 to August 2009, he served on a part-time basis as Chief Financial Officer of Pathway Data Inc., a privately-held company engaged in consumer credit notification and identity theft assistance services. 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. Mr. Antal's experience in accounting and finance, particularly with respect to biotechnology companies and public reporting companies make him an important asset to our board and a qualified Audit Committee Chairman.

Paul E. DiCorleto, Ph.D. Dr. DiCorleto has served as one of our directors since June 2003. Since 2002, he has served as the Chair of the Cleveland Clinic Lerner Research Institute and Chair of the Department of Molecular Medicine at the Case Western Reserve University School of Medicine. 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 Chair of the Department of Cell Biology, as an Associate Chief of Staff of Cleveland Clinic, and as a current member of the Clinic's Board of Governors and Board of Trustees. On a national level, Dr. DiCorleto has chaired multiple National Institute of Health and American Heart Association review panels, as well as several national conferences on research into heart and vascular disease. He has published over 100 articles in his field. Dr. DiCorleto is a Community Trustee of Cleveland State University and a member of the Association of American Medical College's Advisory Panel on Research. Dr. DiCorleto received his undergraduate training in chemistry at Rensselaer Polytechnic Institute and his doctorate in biochemistry from Cornell University. Dr. DiCorleto's research background, with an emphasis on cell and molecular biology, provides our board with an experienced non-management perspective on the Company's research and development activity.

Bernard L. Kasten, M.D. Dr. Kasten became a member of our board in July, 2006 and was the Chairman of our board from August 2006 until April 2013. 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 has served as the Chairman of the board of GeneLink Inc. since April 2007 and as Chief Executive Officer since December 2010. Dr. Kasten has served as a director of Enzo BioChem Inc. since January 2008. 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 National Cancer Institutes, 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.

Yakov Kogan, Ph.D., MBA Dr. Kogan has served as one of our directors since our inception in June 2003. Dr. Kogan has served as our Chief Executive Officer since June 2012. Previously, he served as our Chief Operating Officer from

February 2008 until June 2012 and as our Interim Chief Executive Officer from January 2012 until

June 2012. Dr. Kogan also served as our Executive Vice President of Business Development from our inception until February 2008. From 2002 to 2003, he was Director for Business Development at Integrated Genomics where 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 All-Union Research Institute of Genetics and Selection of Industrial Microorganisms (VNIIGenetika) (Moscow, Russia), as well as an MBA degree from the University Of Chicago Graduate School Of Business. Dr. Kogan's day-to-day leadership as Chief Executive Officer provides our board with intimate knowledge of our operations.

Michael Fonstein, Ph.D. Dr. Fonstein has served as our President and as one of our directors since our inception in June 2003. Dr. Fonstein also served as our Chief Executive Officer from June 2003 until January 2012. Previously, 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 Chief Executive Officer and President of Integrated Genomics, Inc. 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 the 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 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. In May 2007, Dr. Gudkov joined Roswell Park Cancer Institute, where he is the Senior Vice President of Basic Science and Chairman of the Department of Cell Stress Biology. Dr. Gudkov provides our board with invaluable insight into the scientific direction of the Company.

Julia R. Brown Ms. Brown has served as one of our directors since April 2013. Ms. Brown has held a variety of executive positions over her 40 year career in the pharmaceutical industry. From January 2000 to July 2003, Ms. Brown was Executive Vice President of Amylin Pharmaceuticals, Inc., responsible for commercial operations. She served as Advisor to the CEO until 2008. Prior to joining Amylin, Ms. Brown was Executive Vice President of Dura Pharmaceuticals, Inc. Ms. Brown spent over 25 years with Eli Lilly and Company in progressively more senior roles including Vice President of IVAC Corporation and General Manager of its Vital Signs Division and Vice President of Worldwide Marketing for Hybritech. Ms. Brown is currently a member of the board of directors of Targacept, Inc. and serves as chair of its compensation committee. She is also a member of the board of directors of Biodel Inc. and serves as chair of its compensation committee and is a member of its nominating and governance committee. Previously, she served on the board of directors of Labopharm, Inc. (acquired by Paladin Labs Inc.) and Tanox, Inc. (acquired by Genentech, Inc.). She is a member of the National Association of Corporate Directors and Women Corporate Directors. Ms. Brown is Vice Chair of Corporate Directors Forum. Ms. Brown is Chair Emerita of the board of trustees of the UC San Diego Foundation and is currently a member of the board of CONNECT, an organization that fosters innovation, entrepreneurship and the formation of new companies in southern California. Ms. Brown is a graduate of Louisiana Tech University where she studied microbiology and biochemistry. Ms. Brown provides our board with drug development and corporate governance expertise.

Anthony Joseph Principi, J.D. Mr. Principi has served as one of our directors since April 2013. Mr. Principi serves as principal of The Principi Group, a consulting firm. From 2005 through 2010, he was Senior Vice President of Government Relations of Pfizer, Inc. Prior to joining Pfizer, Inc., Mr. Principi served as Secretary of the U.S. Department of Veterans Affairs from 2001 through 2005. In 2005, he served as the Chairman of the Defense 2005 Base Realignment and Closure Commission. Prior to becoming Secretary of the U.S. Department of Veterans Affairs,

Mr. Principi was President of QTC Medical Services Inc. from 1999 through 2001 and Senior Vice President of Lockheed Martin IMS from 1995 through 1996. Prior to joining Lockheed Martin IMS,

14

Mr. Principi was Chief Counsel and Staff Director of the U.S. Senate Armed Services Committee from 1993 through 1994, and was Chief Counsel and Staff Director of the U.S. Senate Committee on Veterans' Affairs from 1984 through 1988. Mr. Principi serves as a director and member of the corporate governance and compensation and evaluation committees of Mutual of Omaha. He is also a member of the board of directors of Engility Holdings, Inc. and is a member of its compensation committee and its nominating/corporate governance committee. Mr. Principi served as Executive Chairman of QTC Management, and was a director of Perot Systems Corporation. Mr. Principi received a Bachelor of Science from the U.S. Naval Academy and a Juris Doctor from Seton Hall University School of Law. Mr. Principi provides our board with expertise in public health and government affairs.

Randy S. Saluck, J.D., MBA Mr. Saluck has served as one of our directors since May 2013. Mr. Saluck has been the Managing Member of Mortar Rock Capital Management, LLC and the Portfolio Manager of Mortar Rock Capital LP, a value-oriented investment fund, since 2005. From 2002 to 2005, Mr. Saluck was a portfolio manager at the investment fund of Meisenbach Capital, LP and, from 2000 to 2002, Mr. Saluck was a senior analyst at Tyndall Partners, LLC, which invested in value-oriented equities and distressed debt. From 1999 to 2000, Mr. Saluck was an analyst at Highfields Capital Management, LLC, where he was responsible for special situations and risk arbitrage. Prior thereto, Mr. Saluck was an investment banker focused on mergers and acquisitions involving a variety of industries at Salomon Brothers Inc. Before becoming an investment banker, Mr. Saluck was a corporate and securities attorney, working at Cahill Gordon & Reindel LLP and then Tenzer Greenblatt LLP. As an attorney, Mr. Saluck worked with numerous small capitalization companies assisting them in the execution of their financing and strategic plans. He received a Bachelor's degree from the University of Pennsylvania, a Juris Doctor degree from the University of Virginia and an MBA from the Wharton School of the University of Pennsylvania with a concentration in finance and accounting. Mr. Saluck currently serves on the Board of Directors of the Connecticut Region of the Anti-Defamation League. Mr. Saluck provides our board with shareholder perspective and experience in public finance and investor relationships.

Committees of the Board of Directors and Meetings

The Board 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 Marketplace Rules. Each Committee has a written charter that is posted on our website, www.cbiolabs.com, under the link "Investors" and the section therein titled "Corporate Governance."

Each of Ms. Brown, Drs. DiCorleto and Hohn and Messrs. Antal, Principi and Saluck is independent under The NASDAQ Marketplace Rules and the Securities Exchange Act of 1934 (the "Exchange Act").

Meeting Attendance. The Board has adopted a policy specifying that it is the responsibility of each director to attend all meetings of the Board and all meetings of the committees of the Board on which he or she serves. During the fiscal year ended December 31, 2012, there were 13 meetings of our Board. No director attended fewer than 75% of the total number of meetings of the Board and of committees of the Board on which he or she served during fiscal year 2012, except Dr. Gudkov.

The Board has adopted a policy requiring that each director makes every effort to attend each annual meeting of stockholders. All seven directors then in office attended our annual meeting of stockholders held in 2012.

It is also the policy of the Board to hold executive sessions of non-employee directors at each regularly scheduled Board meeting and, if any of the non-employee directors are not independent, to hold executive sessions of the independent directors at least twice per year. Each of the non-employee directors in fiscal year 2012 was determined by the Board to be independent.

Audit Committee. Our Audit Committee met six times during fiscal year 2012. This committee currently has three members, Messrs. Antal (Chairman), DiCorleto and Hohn.

All members of the Audit Committee satisfy the current independence standards promulgated by the Securities and Exchange Commission and by The NASDAQ Stock Market, as such standards apply specifically to members of audit committees. The Board has determined that Mr. Antal is an “audit committee financial expert,” as the Securities and Exchange Commission has defined that term in Item 407 of Regulation S-K. Please also see the report of the Audit Committee set forth elsewhere in this proxy statement.

The Audit Committee generally has direct responsibility and oversight for our 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 our 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.

Compensation Committee. Our Compensation Committee met 14 times during fiscal year 2012. This committee currently has three members, Messrs. Antal (Chairman), DiCorleto and Hohn.

The Compensation Committee determines and approves the compensation level of executive officers based on an evaluation of their performance in light of our goals and objectives. The Compensation Committee also considers our performance and relative stockholder return, the level and value of similar incentive awards prevalent in the industry, and awards given to executive officers in past years. The Compensation Committee also has the authority to recommend to the Board compensation for directors and the form of this compensation. The Compensation Committee makes recommendations to the full Board 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.

For a discussion concerning the processes and procedures for determining executive and director compensation, see “Compensation Discussion and Analysis” and “Executive Officer and Director Compensation.”

Please also see the report of the Compensation Committee set forth elsewhere in this proxy statement.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee met one time during fiscal year 2012 and has three members, Messrs. Hohn (Chairperson), DiCorleto and Antal.

The Nominating and Corporate Governance Committee generally has responsibility for identifying candidates who are eligible under the qualification standards set forth in our Corporate Governance Guidelines and recommending such eligible individuals to serve as members of the Board. It also makes recommendations to the Board 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, periodically, our corporate governance principles.

In addition, under our current corporate governance policies, the Nominating and Corporate Governance Committee may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. For all potential candidates, the Nominating and Corporate Governance Committee may consider all factors it deems relevant, such as a candidate’s personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board, and concern for the long-term interests of the stockholders. In general, persons recommended by

stockholders will be considered on the same basis as candidates from other sources.

If a stockholder wishes to nominate a candidate for director who is not to be included in our proxy statement, it must follow the procedures described in our Second Amended and Restated By-Laws, “—Nominating Procedures” below and “Proposals of Stockholders” at the end of this proxy statement.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines, which it reviews from time to time, to assist the Board in fulfilling its responsibility to exercise its business judgment in what it believes to be the best interests of our stockholders. The Corporate Governance Guidelines are posted on our website, www.cbiolabs.com, under the link “Investors” and the section therein titled “Corporate Governance.”

Code of Ethics for Senior Executives and Independent Directors and Code of Conduct

The Board has adopted a Code of Ethics for Senior Executives and Independent Directors that is specifically applicable to its independent directors, executive officers and senior financial officers, including its principal executive officer and its principal financial officer. The Code of Ethics for Senior Executives and Independent Directors is posted on our website, www.cbiolabs.com, under the link “Investors” and the section therein titled “Corporate Governance.” We have 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 we are subject. The Code of Conduct is applicable to all of our employees, officers and directors, and is posted on our website, www.cbiolabs.com, under the link “Investors” and the section therein titled “Corporate Governance.”

Board Leadership Structure

Our Corporate Governance Guidelines describe our policies concerning, among other things, the role of the Board and management, proper Board functions, independence, and committee matters. The positions of Chairman of the Board and Chief Executive Officer are currently held by different persons, although we do not have a policy requiring that to be the case. Instead, our Board has the authority to choose its Chairman in any way it deems best for us at any given point in time. Accordingly, our Board reserves the right to vest the responsibilities of the Chief Executive Officer and Chairman in the same person or in two different individuals depending on what it believes is in our best interest. At this time, our Board has determined that separation of these roles most appropriately suits us. Dr. Hohn is qualified to serve as our Chairman given his extensive management and corporate governance experience. Further, our Board believes that this division of roles allows our Chief Executive Officer to focus more of his efforts to achieving the goals and objectives of our strategic plan. Our Board believes that there is no single leadership structure that would be most effective in all circumstances and, therefore, retains the authority to modify our Board’s structure to best address our circumstances as and when appropriate.

Role of Our Board in Risk Oversight

The Board, as a whole and at the committee level, has overall responsibility for overseeing our risks, including general oversight of our executive officers’ management of risks relevant to the Company. A fundamental part of risk oversight is not only understanding the material risks a company faces and the steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of our Board in reviewing our strategic plan is an integral aspect of the Board’s assessment of management’s tolerance for risk and also its determination of what constitutes an appropriate level of risk for the Company.

At the committee level, the Compensation Committee oversees the management of risks relating to our executive compensation. The Audit Committee oversees our risk policies and processes related to the quality and integrity of our accounting, auditing and financial reporting practices, including our audited and unaudited financial statements and internal controls. The Audit Committee is also responsible for addressing risks arising from related party transactions.

The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board and potential conflicts of interest.

Nominating Procedures

As described above, we have a standing Nominating and Corporate Governance Committee and its charter is posted on our website, www.cbiolabs.com, under the link “Investors” and the section therein titled “Corporate Governance.”

The Nominating and Corporate Governance Committee considers many factors when considering candidates for the Board 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. The Nominating and Corporate Governance Committee believes that it is essential that the Board members represent diverse viewpoints, with a broad array of experiences, skills and backgrounds that, when considered as a group, provide a sufficient mix of perspectives to allow the Board to best fulfill its responsibilities to the long-term interests of our stockholders.

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 or its committees, the director’s tenure as a member of the Board, 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 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., 73 High Street, Buffalo, New York 14203 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 stockholders must comply with our Second Amended and Restated By-Laws regarding stockholder proposals and nominations. See “Proposals of Stockholders” contained herein.

Stockholder Communications to the Board

Generally, stockholders who have questions or concerns should contact our Investor Relations department. However, any stockholders who wish to address questions regarding our business directly with the Board, or any individual director, should direct his or her questions in writing to Cleveland BioLabs, Inc. Board of Directors, c/o Office of the Secretary, 73 High Street, Buffalo, New York 14203. 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 may change the process or means by which stockholders may communicate with the Board or its members. Please refer to

our website, www.cbiolabs.com, for any changes in this process.

Items that are unrelated to the duties and responsibilities of the Board may be excluded, such as:

- junk mail and mass mailings;
- resumes and other forms of job inquiries;
- surveys; and
- solicitations or advertisements.

In addition, any material that is unduly hostile, threatening or illegal in nature may be excluded, provided that any communication that is filtered out will be made available to any outside director upon request.

Executive Officers

The following table sets forth certain information regarding our executive officers who are not also directors.

The Board elects officers annually and such executive officers serve at the discretion of the Board. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
C. Neil Lyons	56	Chief Financial Officer
Jean Viallet, M.D.	55	Chief Development Officer

C. Neil Lyons, CPA Mr. Lyons has been our Chief Financial Officer since September 2011. Mr. Lyons has over 30 years of experience related to operations, finance, SEC compliance, complex financial transactions, strategy, information systems and corporate governance. Prior to joining the Company, from April, 2005 until August, 2011, Mr. Lyons served as Chief Financial Officer and Treasurer of RegeneRx Biopharmaceuticals, Inc., where he led several financial transactions, identified and captured government grant opportunities, directed investor relations activities, developed financial models and implemented investment strategies and employee benefit programs. From 2003 until 2005, Mr. Lyons founded and was the principal of Ironbridge Consulting, a firm that provided financial consulting services, to businesses in the Washington D.C. metro area. From 1998 until 2003, Mr. Lyons was the Vice President, Finance, of SkyBridge Limited Partnership, an international satellite broadband start-up affiliated with Alcatel, where he secured significant amounts of capital and was an active participant in acquisition and joint venture activities. Prior to that, Mr. Lyons served in various positions at Bell Atlantic (now Verizon), from 1996 to 1998, HFS, Inc., a major Department of Defense contractor from 1990 to 1996, and practiced public accounting with Deloitte and Arthur Young from 1979 to 1990. Mr. Lyons is a certified public accountant and received a Bachelor of Science degree in accounting, magna cum laude, from Florida Southern College.

Jean Viallet, M.D. Dr. Viallet joined the Company as our Chief Development Officer in April 2013. Prior to joining us, Dr. Viallet established Viallet Oncology Consulting, LLC after serving as the Chief Medical Officer of Precision Therapeutics, Inc. from October 2011 to March 2012. Prior to this, Mr. Viallet held various positions at Gemin X Pharmaceuticals, Inc. as its Vice President of Clinical Development from November 2002 to December 2006, as its Chief Medical Officer from January 2007 to December 2009 and as its Executive Vice President and Chief Medical Officer from January 2010 to June 2011, culminating in a successful strategic acquisition by Cephalon, Inc. Prior to serving at Gemin X Pharmaceuticals, Inc., Dr. Viallet held senior clinical oncology development positions at GlaxoSmithKline plc from May 2001 to November 2002 and Sanofi from August 1996 to May 2001. Dr. Viallet has also served in several clinical and academic posts at Hospital Notre Dame, Montreal General Hospital, McGill University, and the University of Montreal. Dr. Viallet earned a medical degree from the University of Montreal in Montreal, Quebec, Canada.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This section explains our executive compensation program for 2012 as it relates to our “named executive officers,” or “NEOs,” listed below whose compensation information is presented in the tables following this discussion.

Name	Title
Dr. Yakov Kogan	Chief Executive Officer (1)
Dr. Michael Fonstein	President (2)
Dr. Andrei Gudkov	Chief Scientific Officer
Mr. C. Neil Lyons	Chief Financial Officer

(1) Dr. Kogan became our Interim Chief Executive Officer, effective January 23, 2012, and our Chief Executive Officer, effective June 13, 2012.

(2) Dr. Fonstein was our President and Chief Executive Officer from June 5, 2003 through January 23, 2012. He resigned from the position of Company’s Chief Executive Officer on January 23, 2012 and remains our President.

Executive Summary

Our Compensation Committee believes that our executive compensation program is appropriately designed to incentivize our NEOs to work for our long-term prosperity through pay-for-performance incentives, is reasonable in comparison with the levels of compensation provided by our peer group companies, discourages our NEOs from assuming excessive risks, and reflects a reasonable cost. We believe our NEOs are critical to achievement of our corporate goals, through which we can drive shareholder value. We therefore give considerable thought to the design and administration of our NEO compensation program.

Our NEO compensation packages are designed around the following principles:

- Align long-term incentive opportunities with stockholder value creation;
- Attract, motivate and retain qualified individuals to contribute to our growth and success;
- Provide competitive compensation opportunities consistent with industry practices where we compete for talent; and
 - Maintain a reasonable and responsible cost structure.

The major aspects of our executive compensation program include the following:

- **Competitive Base Pay:** The Compensation Committee regularly reviews base pay benchmark data to confirm that our NEOs’ base pay is in-line with industry practice and whether to make any adjustments.
- **Strong Pay-for-Performance Principles:** A majority of our NEO’s total potential compensation is contingent on achieving short-term corporate goals as defined in our annual Executive Compensation Plan, referred to in this discussion as our Annual Plan, and our Long-term Executive Compensation Incentive Plan, referred to in this discussion as our Long-term Plan. Our Annual Plan is intended to focus our NEOs on achieving annual value-driving clinical development goals, pre-commercialization. Our Long-term Plan currently has a performance period that expires on December 31, 2016, and is intended to incentivize our NEOs to attain our commercialization goals, either through out-licensing, marketing approval or direct product sales.

- **Responsible Severance Compensation.** Our NEO's employment agreements generally provide the executive with severance benefits only if the executive's employment is involuntarily terminated, or employment terminates due to death or disability. The severance benefits provided in these agreements in the event of an involuntary termination are limited to six months of base salary, and in the event of termination due to death or disability are limited to a maximum of 18 months base salary, and we do not provide any tax gross-up payments.
- **Limited Executive Benefits.** We do not offer executive benefits such as car allowances, personal security, financial planning advice, tax preparation services or club memberships.
- **Stockholder Approval Required to Reprice Options.** Our current equity plans do not permit repricing of underwater stock options held by our NEOs or other employees without prior stockholder approval.

We held our first stockholder advisory vote on executive compensation in 2011. When determining how often to hold an advisory vote on executive compensation, our Board recommended and our stockholders agreed upon, an annual vote. In 2012, approximately 86.3% of the votes cast approved our executive compensation described in our prior year's proxy statement. The Compensation Committee considered the results of our 2011 and 2012 stockholder advisory votes an endorsement of its compensation policies, practices and philosophy for our named executive officers and has not made changes to its practices as a result of such votes.

Compensation Setting Process

Overview

The overall objectives of our compensation program are to attract and retain the best possible executive talent, to motivate these executives to achieve the goals and objectives within our strategic plan, and to align executive compensation with stockholder interests. To achieve these objectives, we have developed an overall compensation strategy, including specific goals that tie the majority of our NEO's compensation to performance.

When creating a NEO's overall compensation package, the Compensation Committee considers the different components of our compensation elements in light of the role the NEOs will play in achieving our near term and longer term goals, as well as the compensation packages provided to similarly situated executives at companies we consider to be our peers. Our NEO's compensation components are: Base salary, the Annual Plan and the Long-term Plan, as discussed more thoroughly in this section. We do not predetermine an allocation of the overall compensation to be represented by the various compensation elements. Rather, the Compensation Committee's intention is that the incentives provided by the Annual Plan and the Long-term Plan provide a majority of the NEO's total compensation. As a result, historically, approximately 50% or more of our NEOs total potential compensation has been at risk in any given fiscal year. Our Compensation Committee believes that having a significant portion of our executives' compensation package at risk has contributed to cultivating a culture in which our NEOs aggressively pursue our corporate performance and strategic goals as they know that their take home pay, to a large extent, depends upon our performance and, to some extent, their contribution to our performance. Additionally, the incorporation of significant equity incentives is designed to mitigate the risk that our NEOs will pursue short-term outcomes at the expense of long-term stockholder value. Performance-based annual cash and stock option compensation awards under our Annual Plan are made based on the achievement of short-term corporate goals designed to incentivize the executives to create shareholder value and attain short-term performance objectives. Our short-term corporate goals are currently developmental in nature because our product pipeline is pre-commercialization. The corporate goals vary year-to-year, but generally include value-adding achievements such as contract/grant funding, timely completion of research and development objectives, financial performance and cash flow management and stock performance. Performance-based long-term awards under our Long-term Plan are made based on the achievement of corporate commercialization objectives that address out-licensing, drug approval and product sales. The Long-term Plan has a term of three and a half years and was first implemented in June 2012 and expires in December 2016. Any awards granted under the Long-term Plan can be settled in either cash or equity, as determined in the Compensation Committee's discretion.

We believe that the combined mix of these three pay elements allows us to provide a competitive, cost-effective,

21

total compensation package to our NEOs, largely based on achievement of value-driving milestones. More specifically, the Compensation Committee believes this structure aligns a majority of the NEO's potential compensation to performance.

Role of the Chief Executive Officer

The Chief Executive Officer has no role in setting his compensation and is specifically excluded from any discussions related to his compensation. However, the Chief Executive Officer recommends to the Compensation Committee for its approval, proposed corporate performance and strategic goals and their relative weighting for the upcoming fiscal year for the Annual Plan and the Long-term Plan, as well as provides input on the level of attainment of the prior year's goals, for purposes of determining awards under the Annual Plan and Long-term Plan for all our NEOs, including the Chief Executive Officer. Finally, the Chief Executive Officer regularly provides input to the Compensation Committee during the course of the year regarding the performance and compensation of our other NEOs.

Compensation Committee Decision-making Process

The Compensation Committee approves the compensation packages for all NEOs. When determining the base salary and equity incentive compensation awards, the Compensation Committee considers the ongoing feedback it has received during the prior year from the Chief Executive Officer regarding the performance of each executive, benchmark data, compensation for new executive hires, as well as high-level strategic issues, such as new trends, plans or approaches to compensation. The Compensation Committee also considers the results of our stockholder advisory votes on executive compensation.

In addition, the Compensation Committee approves the goals and performance target levels relevant to our Annual Plan and Long-term Plan. Generally, the Compensation Committee's process for determining Annual Plan and Long-term Plan awards involves: (i) the determination of target award levels, (ii) the establishment of performance goals, and (iii) an evaluation of our actual performance in relation to the performance goals. In 2012, the Compensation Committee, approved an adjustment in the Annual Plan cash bonus target levels for all of our NEOs except for Dr. Gudkov from 20% to 30% of "CBLI-only" base compensation, and approved an increase in the Annual Plan cash bonus target level for Dr. Gudkov from 40% to 60% of his annualized cash consulting retainer. Cash and equity compensation under the Annual Plan and Long-term Plan represents a majority of our NEOs total potential compensation, which means that a large portion of our NEO's potential compensation is at risk. The Compensation Committee and our full board typically set the performance goals of the Annual Plan at the beginning of each year and at the beginning of the Long-term Plan's performance period. The Compensation Committee recognizes that the research and development environment in which management operates is dynamic, requiring changes as new discoveries are made, or opportunities present themselves. As such the Compensation Committee retains discretion to make upward and downward adjustments to final awards based on the Compensation Committee's assessment of both the Company's and the executive's personal performance. When considering the levels of bonus compensation to award, the Compensation Committee also reviews the individual performance of our NEOs and considers the recommendations of our Chief Executive Officer.

Role of Compensation Consultants

The Compensation Committee has the authority under its charter to engage the services of outside advisors, experts and others to assist the Compensation Committee in carrying out its delegated duties. We have not historically hired an outside consulting firm to evaluate our compensation practices or provide recommendations to our Compensation Committee in order to preserve cash to fund our operations. Rather, the Compensation Committee has relied upon significant internally-developed benchmark data to guide its decisions.

Compensation Benchmarking

In any year the Compensation Committee may benchmark the compensation for our NEOs with that of executives with similar positions in our industry, adjusting for known or perceived differences between our NEO's experience and levels of responsibility with the job descriptions reflected for the generalized survey data. Typically, the Chair of the Compensation Committee performs a benchmark analysis once every two years, but additional studies may be performed periodically as determined as necessary or desirable by the Compensation Committee. In December 2012, at the request of our Compensation Committee, our Chief Financial Officer performed a benchmark analysis using two sources: (i) publicly-traded biotechnology companies with market capitalizations of \$250 million or less, with the sample having a median market capitalization of \$100 million, and (ii) the Radford Global Life Sciences data for 2011 for biotechnology companies having between 50 – 150 employees. The Compensation Committee determined that these criteria were appropriate in selecting the peer companies for the study given that we had a market capitalization of \$82 million, and that the Radford survey data was appropriate because at such time we had 85 employees. Results of that study, which compare published 2011 data to our current NEO compensation structure is depicted below.

Position	Compensation Type	NEO Salary (1)/ Target Cash Bonus % (2)	2011 Proxy Survey (3) Median	2011 Radford Survey 50th percentile	
Chief Executive Officer	Base pay	\$ 430,000	\$ 488,750	\$ 529,091	\$ 439,300
	Target cash bonus %	30%	50%	49%	50%
President (4)	Base pay	\$ 355,000	\$ 301,250	\$ 316,245	\$ 400,000
	Target cash bonus %	30%	30%	29%	40%
Chief Scientific Officer (5)	Base pay	\$ 223,677	\$ 331,540	\$ 312,095	\$ 300,000
	Target cash bonus %	60%	35%	36%	Not Available
Chief Financial Officer	Base pay	\$ 254,500	\$ 306,373	\$ 323,259	\$ 300,000
	Target cash bonus %	30%	33%	36%	35%

(1) The salary in this table represents the NEO's annualized rate of base pay as of December 31, 2012 from CBLI and its majority-owned subsidiaries, where applicable. Actual compensation for the year ended December 31, 2012 can be found in the Summary Compensation Table later in this document.

(2) For CBLI NEOs, the target cash bonus % is applied against the "CBLI-only base pay" as illustrated in the table below under the heading "2012 Executive Compensation Summary," i.e. only a portion of the salary figures presented above for Drs. Kogan, Fonstein and Gudkov would qualify. For the survey data, the target cash bonus is expressed as

a percent of the salary figures presented.

(3) This survey included the following companies: Celldex Therapeutics, Inc., Sarepta Therapeutics, Inc., Threshold Pharmaceuticals, Inc., Novavax, Inc., Geron Corporation, Progenics Pharmaceuticals Inc., BioCryst Pharmaceuticals, Inc., SIGA Technologies, Inc., Peregrine Pharmaceuticals, Inc., Cytogenetics Incorporated, Hemispherx Biopharma, Inc., CytRx Corporation, PharmAthene, Inc., Cyclacel Pharmaceuticals, Idera Pharmaceuticals, Inc., GenVec, Inc. and Aeolis Pharmaceuticals, Inc. The median market capitalization of these companies was \$95 million.

(4) If the survey company did not have a separate President, the position benchmarked was the next highest-level position.

(5) The Chief Scientific Officer is a part-time consulting position for CBLI. Our Chief Scientific Officer is paid a monthly cash consulting fee in lieu of base salary.

Evaluations

The Compensation Committee evaluates the performance of our executive officers in light of performance goals and

objectives established for the Annual Plan and Long-term Plan at least once a year. Based upon these evaluations, the Compensation Committee determines the annual compensation for our executive officers, including base salary, cash consulting fees, cash bonus and equity compensation. In its evaluation of the NEOs, the Compensation Committee considers, among other things, the following:

- overall management of the Company;
- progress achieved by our drug candidates;
 - shareholder return;
- the maintenance of successful relationships with our board and stockholders;
- our financial performance with respect to the preparation of and compliance with our budget, including capital reserves;
- success in securing new government contracts and grants and other third-party funding, and progress under such contracts and other funding arrangements once obtained; and
- regulatory compliance (including compliance with NASDAQ rules, the securities laws, FDA regulations, etc.).

Typically, the Compensation Committee meets at least twice per year to make compensation decisions for our NEOs, with greater frequency if necessary. The Compensation Committee also meets and confers regularly in executive session. The Compensation Committee met 14 times during 2012.

The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with our Chief Executive Officer and our other executive officers, as needed. From time-to-time, various members of our management, as well as outside advisors, may make presentations to the Compensation Committee. The Compensation Committee charter grants the Compensation Committee full access to all of our books, records, facilities and personnel, as well as the authority to obtain, at our expense, advice and assistance external advisors that the Compensation Committee considers appropriate in the performance of its duties. As part of its deliberations, the Compensation Committee may review financial reports, projections, operational data, tax and accounting information. The Compensation Committee also considers historical base salary, bonus and equity information including: (1) equity grant history; (2) vested and unvested potential gain on equity awards using an assumed selected series of stock prices at points in time; and (3) stock option exercise history, in its compensation decisions. In determining 2012 NEO compensation, the Compensation Committee also considered the recommendations of our Chief Executive Officer and each executive's individual performance.

2012 Executive Compensation Summary

The following table summarizes our 2012 salaries and targeted annual incentive bonuses and equity awards for our NEOs. Of note, Drs. Kogan, Fonstein and Gudkov are also compensated by our majority-owned subsidiaries for their service on the boards of directors of the subsidiaries and for their strategic guidance. It is only the base cash compensation paid to them directly by CBLI that is eligible for incentive bonuses under our Annual Plan so that no bonus is paid under our Annual Plan with respect to the cash compensation paid by the majority-owned subsidiaries.

Position	Source of Cash Compensation			Total Cash Compensation	Incentive Bonus Target (2)	Number of Stock Options Awarded (3)
	CBLI	Majority-owned Subsidiaries (1)				
Dr. Yakov Kogan (4)	\$ 310,438	\$ 85,000	\$	\$ 395,438	30%	-
Dr. Michael Fonstein (5)	\$ 303,749	\$ 85,000	\$	\$ 388,749	30%	-

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Dr. Andrei Gudkov (6)	\$	138,677	\$	85,000	\$	223,677	60%	-
Mr. Neil Lyons	\$	255,485	\$	-	\$	255,485	30%	-

(1) Drs. Kogan, Fonstein and Gudkov each receive an annual cash retainer of \$50,000 for serving on the board of directors of Incuron, LLC, and an annual cash retainer of \$35,000 for serving on the board of directors of Panacela Labs, Inc.

(2) The incentive bonus target is applied as a percentage of the "CBLI-base pay," in determining actual cash bonus awards. The maximum potential incentive bonus award level is 200% of the target amount.

(3) The target stock option award levels were approved for the 2012 Annual Plan, to be granted if we achieved our 2012 performance goals. No stock options were granted to the NEOs during 2012.

(4) Dr. Kogan was named Chief Executive Officer on June 13, 2012 at which time his CBLI compensation was increased from \$266,685 to \$345,000 per year.

(5) Dr. Fonstein resigned from his position as Chief Executive Officer on January 23, 2012, retaining the position of President. On June 13, 2012 his CBLI compensation was reduced from \$341,356 to \$270,000.

(6) Dr. Gudkov serves as our Chief Scientific Officer on a part-time basis.

2012 Base Cash Compensation

The purpose of base salary is to provide a level of fixed compensation to our NEOs in order to attract and retain executives with the qualifications desired for the particular position. The Compensation Committee reviews base salaries annually, and usually considers adjusting base salaries to reflect our performance over the preceding year while considering the annual base salary increase trend data reflected by the benchmark data. These guidelines are used throughout our company in determining appropriate base salary increases for all our employees. For 2012, the Compensation Committee's aim, in line with CBLI's general philosophy to set target compensation levels that are competitive while maintaining a reasonable cost structure, was to approve 2012 CLBI base salary increases based upon our 2011 performance levels. Based upon its evaluation of our 2011 performance levels, in January 2012 the Compensation Committee generally approved 1.8% increases in base compensation for all our NEOs. In approving such increased base cash compensation levels for 2012, the Compensation Committee specifically considered our stock price performance during 2011, the attainment of 14 out of 17 of our targeted operating milestones for 2011, and attainment of our targeted operating cash flow goals.

For Drs. Kogan, Fonstein and Gudkov, the Compensation Committee approved an increase in income from our majority-owned subsidiaries of \$35,000 each due to their increased activities providing strategic guidance to our newly-formed subsidiary, Pancela Labs, Inc.

Dr. Kogan's annual CBLI-only base pay was increased by 1.8% in January 2012 from \$261,975 to \$266,685. In June 2012, upon being appointed Chief Executive Officer, Dr. Kogan's annual CBLI-only base pay was increased to \$345,000 in light of his increased responsibilities in that role. Dr. Kogan's additional compensation from our majority-owned subsidiaries remained unchanged at \$85,000. Dr. Fonstein's annual 2012 base salary was increased by 1.8% in January 2012 from \$335,320 to \$341,356. In June 2012, Dr. Fonstein's annual CBLI-only base salary was decreased to \$270,000 in light of his decreased responsibilities as he no longer serving as our Chief Executive Officer. Dr. Fonstein's additional compensation from our majority-owned subsidiaries remained unchanged at \$85,000.

Incentive Compensation

The Compensation Committee, in its discretion, may establish incentive plans and otherwise award cash and/or equity bonuses to our executive officers. The amounts of both the cash and equity bonuses are determined based on performance, which is evaluated annually under the Annual Plan, and periodically as goals are achieved under the Long-term Plan. The cash and equity bonuses for each of our executive officers is based on various factors, including, among others, the achievement of various operating milestones based on scientific and business goals, our financial performance, the performance of our stock, and our establishment and compliance with satisfactory corporate governance practices. The operating milestones used in the evaluation of our annual incentive compensation are based on annual proposals made by our executive officers, which are then evaluated and ultimately approved by the

Compensation Committee. Commencing in fiscal year 2012, incentive compensation for our executive officers is determined, in part, based on certain individual goals for each of our executive officers that will be agreed upon annually. We believe that the annual incentive bonuses motivate and encourage our executive

25

officers to fulfill the short-term goals required for our longer term strategic plan.

2012 Annual Plan - Cash Bonuses. The target annual cash bonus awarded each executive officer under the Annual Plan is determined based on a percentage of such executive officer's base salary paid by CBLI directly, i.e. payments from majority-owned subsidiaries are not included in the base salary calculation for such purposes. The target cash bonus levels for 2012 were set at 30% of base salary, with a maximum potential bonus of 60% of base salary, except for Dr. Gudkov. Dr. Gudkov's target cash bonus was set at 60% of his annualized cash consulting retainer, with a maximum potential bonus of 120% of his annualized cash consulting retainer. Dr. Gudkov's incentive compensation percentages in relation to his base cash compensation are doubled to reflect the lesser amount of cash compensation paid to him in his consulting role and that the consulting services that he provides are critical to the attainment of our performance goals. These target bonus levels for 2012 were approved by our Compensation Committee after taking into account the benchmarking study as well as the financial condition of the Company. Our executive officers were eligible for a 2012 cash bonus under the Annual Plan based on the following formula:

$$\begin{array}{l}
 \text{CBLI-only Base Salary X} \\
 \text{(or annual cash} \\
 \text{consulting retainer)}
 \end{array}
 \times
 \begin{array}{l}
 \text{Bonus Target} \\
 \\
 \text{(expressed as a} \\
 \text{percentage of base} \\
 \text{salary)}
 \end{array}
 =
 \begin{array}{l}
 \text{Annual Cash Bonus} \\
 \text{Amount}
 \end{array}$$

(based on the performance over the past year based on the evaluation factors)

The performance goals established for the annual cash bonus plan for 2012 by the Compensation Committee were as follows:

Goal	Weighting
Entolimod biodefense program - achieve full agreement with the FDA regarding the pivotal animal protocols, completion of filing various reports with the FDA and maintain Federal contracting compliance	24%
Initiate a second oncology trial with Entolimod	4%
Finalize preclinical work on CBL0137 program	12%
Subtotal clinical goals	40%
December 31, 2012, achieve share price of \$5.00 by December 31, 2012	20%
Meet operating financial forecast	20%
Subtotal corporate goals	80%
Individual goals	20%

2012 Annual Plan - Equity Bonuses. The Compensation Committee believes that granting stock options provides executive officers with a strong economic interest in maximizing stock price appreciation over the long term. The Compensation Committee also believes that the practice of granting stock options can be useful in retaining and

recruiting the key talent necessary to ensure our continued success. This element of compensation has been governed by the Cleveland BioLabs, Inc. Equity Incentive Plan, as amended (the “Equity Plan”). The Equity Plan is

26

administered by our Compensation Committee, which reviews executive management's recommendations concerning stock option grants, and determines the number of stock options to be granted to each such person, and the terms and conditions of any stock options as permitted under the Equity Plan. The exercise price of stock options is based on the value of a share of our common stock on the date of grant. The options, therefore, do not have any value to the executive officer unless the market price of our common stock rises, which aligns the interests of our executive officers with those of our stockholders. Through these option grants, we seek to emphasize the importance of improving the performance of our stock price, increasing stockholder value over the long term.

Our target stock option bonus for 2012 under the Annual Plan was set at 125,000 stock options for each NEO, with a maximum of 250,000 stock options. The Compensation Committee determined in its subjective judgment that these target awards levels were appropriate to provide sufficient incentives to the NEOs to attain our 2012 performance goals. These target number of options approved for the Annual Plan were not granted during 2012, and would be granted only upon subsequent approval of the Compensation Committee after reviewing our actual performance levels for 2012. If granted, such stock options would be immediately fully vested on the applicable grant date, and would have an exercise price per share equal to the value of our stock on the applicable grant date.

Actual 2012 Annual Plan Awards. In January 2013, the Compensation Committee determined that in light of our cash position at December 31, 2012, and the lack of returns to our investors as evidenced by our stock price on such date, it would disregard the level of attainment of the 2012 performance goals. As such, no 2012 cash bonuses would be awarded under our Annual Plan, and none of the 2012 targeted stock options would be granted.

Rather, the Compensation Committee determined that it would be appropriate to grant our NEOs stock option grants, with such options to be automatically granted in accordance with our equity grant guidelines two days after our current blackout trading period ends, which is currently scheduled to occur on May 13, 2013. The options will vest only if our stock price is \$5.00 or more for at least five consecutive trading days, subject to the NEOs continued services with us through such date. The number of shares subject to each option will be based on an overall dollar value equal to 30% of CBLI-only base pay as of December 31, 2012, 60% for Dr. Gudkov, and divided by the per share Black-Scholes of each option as value determined on the applicable grant date.

2012 Long-Term Executive Compensation Plan

On June 13, 2012, the Compensation Committee approved a 2012 Long-term Plan, which includes three major milestone performance goals for our NEOs. These goals are:

Goal #1– Approval of a BLA for Entolimod (previously known as CBLB502) for treatment as a single agent to reduce the risk of death following total body irradiation during or after radiation disaster (medical radiation countermeasure (MRC) application);

Goal #2– Entolimod MRC- Cumulative Firm Orders (all countries exceed \$100M);

Goal #3– Cumulative proceeds from upfront and milestone payments from licensing deals for any CBLI compounds exceed \$12M (the licensing deals done for the compounds from our subsidiaries will be adjusted by the percentage of CBLI ownership when the licensing agreement is executed).

These goals were selected for our 2012 Long-term Plan as they were determined by the Compensation Committee to be the best indicators of achieving increased value. The applicable payout levels for attainment of each goal were determined in the Compensation Committee's subjective judgment to be at levels sufficient to incentivize our NEOs to attain such goals, and that the benefit to the Company of such attainment was greater than the cost. Under the 2012 Long-term Plan, awards would be paid to each NEO upon achievement of each strategic objective, subject to the NEO's continued services with us through such attainment. Each payment amount would be equal to a percentage of

the executive's base salary at the time of award attainment for Goal #1 or a percentage of the cumulative firm order/licensing proceeds for Goals #2 and 3.

27

Upon achievement of Goal #1 in the United States, each NEO will be paid a bonus equal to 100% of their CLBI base salary or cash consulting retainer, as applicable, as determined by reference to their respective base salary and cash retainer levels in effect on the applicable Goal #1 achievement date.

Upon the first occurrence of the achievement of Goal #1 in Australia, Brazil, Canada, China, European Union, India, Japan, Mexico or Russian Federation, each NEO will be paid a bonus equal to 33% of their base salary or cash consulting retainer, as applicable, as determined by reference to their respective base salary and cash retainer levels in effect on the applicable Goal #1 achievement date. In addition to the above described bonuses, upon the achievement of Goal #1 in the United States or in another country listed above, an amount equal to 100% of the total of the executive team's aggregate bonus amount will be placed into an employee bonus pool to be distributed to non-executive employees of CBLI, with such bonus amounts allocated at the sole discretion of the executive team.

The following percentages of cumulative firm order/licensing proceeds will be paid to each executive upon achievement of each strategic goal/milestone:

- Upon achievement of Goal #2 or Goal #3, 4% of any cash that the Company receives from all cumulative orders/licensing payments will be allocated to an executive bonus pool, which will be distributed among the members of the executive team, with the allocation among the executive team members to be determined on a pro-rata basis based on 100% of then current CBLI annual base salaries or cash consulting retainer, as applicable, with respect to each NEO.
- An additional 1% of all received cumulative orders/licensing payments will be allocated to an employee bonus pool, which will be distributed among the Company's senior employees on a pro rata basis based on salary.

Based on the Company's cash position when a goal is achieved, the Compensation Committee will determine whether the incentive payouts will be made in the form of cash or stock, or a combination of both. The 2012 Long-term Plan will expire on December 31, 2016 and no amount will be payable under the Long-term Plan for any goal not achieved by that date.

Severance and Change in Control Agreements

We also provide certain of our executive officers with severance and change of control arrangements in their employment contracts. We believe that severance and change of control packages are a common characteristic of compensation for executive officers. They are intended to provide our executive officers with a sense of security in making the commitment to dedicate their professional careers to our success. Due to our size relative to other public companies and our operating history, we believe that severance and change in control arrangements are necessary to help us attract and retain necessary skilled and qualified executive officers to continue to grow our Company.

Executive Benefits

Our executive benefits are generally limited to the same benefits we offer all of our employees, except that Dr. Gudkov does not participate in any of our employee benefit plans because he is not our employee. Additionally, we provide Dr. Fonstein with reimbursement for a portion of the cost of his maintaining an apartment near our Buffalo, New York office. The total amount that we spent on Dr. Fonstein's apartment reimbursement benefit during 2012 was \$10,000, which was approximately 75% of the cost of the apartment rental. This benefit was provided to Dr. Fonstein in lieu of paying for hotel costs when Dr. Fonstein travels to our Buffalo, New York office from his primary residence near Chicago, IL approximately two weeks per month. We believe that the benefit of having Dr. Fonstein located close to our Buffalo, New York office exceeds the cost to us of providing such rental reimbursement benefit.

Our Compensation Policies

Section 162(m) Policy

Section 162(m) of the Internal Revenue Code limits the amount that a public company may deduct from federal income taxes for remuneration paid to the chief executive officer and the three other most highly paid executive officers (other than the chief financial officer) to \$1 million per year per covered executive officer. Section 162(m) provides an exception from this deduction limitation for certain forms of “performance-based compensation,” including the gain recognized by executive officers upon the exercise of certain compensatory stock options and other compensation based on performance criteria that are approved in advance by stockholders. We are mindful of the benefit to the Company and its stockholders of the full deductibility of compensation. However, we believe that there may be times when we need to retain flexibility in compensating our executive officers in a manner that we believe will best promote our corporate objectives even though the compensation may not be fully deductible under Section 162(m). Therefore, we have not adopted a policy that requires that all compensation be deductible.

Accounting Considerations

The accounting impact of our equity compensation program is one of many factors that the Compensation Committee may consider in determining the size and structure of our program.

Common Stock Ownership Requirements

While we have not adopted a formal written policy on common stock ownership requirements, part of our compensation philosophy involves facilitating common stock ownership by our executive officers through the grant of equity awards because we believe that it helps to align their financial interests with those of our stockholders.

Timing of Awards

The Compensation Committee has the authority to grant equity awards under our Equity Plan. The Compensation Committee strives to ensure that any award is made in such a manner to avoid even the appearance of manipulation because of its award date. It is our policy not to purposely accelerate or delay the public release of material information in consideration of a pending equity grant to allow the grantee to benefit from a more favorable stock price.

Compensation Recovery Policy

We do not have a policy to attempt to recover cash bonus payments paid to our executive officers if the performance objectives that led to the determination of such payments were to be restated, or found not to have been met to the extent the Compensation Committee originally believed. However, as a public company subject to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, if we are required as a result of misconduct to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, our chief executive officer and chief financial officer may be legally required to reimburse us for any bonus or other incentive-based or equity-based compensation they receive. In addition, we will comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and will adopt a compensation recovery policy once the SEC adopts final regulations on the subject.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of our board has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, which appears elsewhere in this Proxy Statement, with our management. Based on this review and discussion, the Compensation Committee has recommended to our board that the Compensation Discussion and Analysis be included in our Annual Report.

Members of the Compensation Committee
James J. Antal (Chairperson)
Paul DiCorleto
David C. Hohn

RISKS RELATED TO COMPENSATION PRACTICES AND POLICIES

We regularly assess the risks related to our compensation programs, including our executive compensation programs, and we do not believe that the risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on our Company. At the Compensation Committee's direction, management provides ongoing information to the Compensation Committee regarding compensation factors that could mitigate or encourage excessive risk-taking. In its discussions, the Compensation Committee considered the attributes of our programs, including:

- significant management oversight over employee compensation;
- a balance of annual and milestone- or target-based incentives for senior executives; and
 - the use of multiple objective performance metrics.

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table shows the total compensation paid or accrued during the last three fiscal years ended December 31, 2010, 2011 and 2012 to (1) our Chief Executive Officer, (2) our President, (3) our current Chief Financial Officer, (4) our Chief Scientific Officer and (5) our former Chief Financial Officer.

Name and Principal Position	Year	Salary (1) (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (3) (\$)	Non-Equity Incentive Plan Compensation (4) (\$)	All Other Compensation (\$)	Total (\$)
Yakov Kogan	2012	395,438(2)	-	-	253,427(6)	-	19,379(11)	668,244
Chief Executive Officer	2011	311,975	-	-	743,557(7)	23,577	10,856(12)	1,089,965
	2010	259,248	-	-	252,000(8)	59,844	9,111(12)	580,203
Michael Fonstein	2012	388,749(2)	-	-	129,172(9)	-	22,672(13)	540,593
President	2011	385,326	-	-	743,557(7)	30,179	378(12)	1,159,440
	2010	303,268	-	-	252,000(8)	76,600	-	631,868
C. Neil Lyons	2012	255,485(2)	-	-	43,057(9)	-	5,509(12)	304,051
Chief Financial Officer	2011	83,336(5)	-	-	217,500(10)	7,500	2,544(12)	310,880
Andrei Gudkov	2012	222,229(2)	-	-	129,172(9)	-	-	351,401
Chief Scientific Officer	2011	184,882	-	-	743,557(7)	24,476	-	952,915
	2010	143,193	-	-	252,000(8)	62,238	-	457,431

(1) Base salary includes compensation received from our consolidated, majority-owned subsidiaries, Incuron and Panacela. For 2012, Drs. Kogan, Fonstein and Gudkov earned \$50,000 and \$35,000 each as compensation from these subsidiaries. For 2011, Drs. Kogan, Fonstein and Gudkov earned \$50,000, \$50,000 and \$50,000, respectively. For 2010, Drs. Kogan, Fonstein and Gudkov earned \$20,833, \$20,833 and \$20,833, respectively.

(2) For fiscal 2012, the executives opted to receive a restricted stock grant in lieu of a portion of their cash salary. The restricted stock was granted on June 26, 2012, and had a vesting date of December 16, 2012. For fiscal 2012, the amount of salary foregone was \$37,375, \$10,969, \$27,571 and \$17,367 for Dr. Kogan, Dr. Fonstein, Mr. Lyons, and Dr. Gudkov,

respectively. The grant date fair values of these awards were \$43,971, \$12,904, \$32,437, and \$20,432 for Dr. Kogan, Dr. Fonstein, Mr. Lyons, and Dr. Gudkov, respectively. For the number of shares of restricted stock issued to the executives, see the Grants of Plan-Based Awards Table.

- (3) These amounts represent the aggregate grant date fair value for stock option awards granted in fiscal years 2012, 2011, and 2010, respectively, computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in determining grant date fair value may be found in Note 6 to our Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2012. For a discussion of the stock options granted in respect of services provided in the year ended December 31, 2012, see the discussion under “Compensation Discussion and Analysis—2012 Executive Compensation Summary—Incentive Compensation” and “Executive Officer and Director Compensation—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table.”
- (4) The Company’s cash bonuses are paid under our executive compensation plan. As such, the bonus amounts are reported in the column “Non-Equity Incentive Plan Compensation.”
- (5) Mr. Lyons commenced services as the Company's Chief Financial Officer on September 1, 2011.

- (6) Represents (i) options to purchase 56,250 shares of common stock, granted in January 2012 for performance during fiscal 2011, which vested immediately and have an exercise price of \$3.35 per share, and (ii) options to purchase 100,000 shares of common stock, granted in June 2012 for promotion to Chief Executive Officer, which vested immediately and have an exercise price of \$1.79 per share.
- (7) Represents (i) options to purchase 149,609 shares of common stock, granted in March 2011 for performance during fiscal 2010, which vested immediately and have an exercise price of \$7.16 per share.
- (8) Represents options to purchase 105,000 shares of common stock, granted in May 2010 for performance during fiscal 2009, which vested immediately and have an exercise price of \$3.44 per share.
- (9) Represents options to purchase 56,250 shares of common stock each for Drs. Fonstein, and Gudkov, and 18,750 shares of common stock for Mr. Lyons, granted in January 2012 for performance during fiscal 2011, which vested immediately and have an exercise price of \$3.35 per share.
- (10) Represents options to purchase 125,000 shares of common stock, granted in September 2011, which vest in four annual tranches with the first tranche vesting upon issuance and have an exercise price of \$2.41 per share.
- (11) Consists primarily of 401(k) matching contributions and payment for unused vacation in accordance with the Company's policy.
- (12) Consists primarily of 401(k) matching contributions.
- (13) Consists of reimbursement for apartment maintained in Buffalo, New York and 401(k) matching contributions.

Grants of Plan-Based Awards

The following table shows information regarding grants of non-equity incentive plan awards and grants of equity awards that we made during the fiscal year ended December 31, 2012 to each of the executive officers named in the Summary Compensation Table.

Name	Grant Date	Compensation Committee Action Date	Non-Equity Incentive Plan Awards			Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units (#)	All Other Stock Awards: Number of Shares or Units (#)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold #	Target #	Maximum #		
Yakov Kogan		1/15/2013	\$51,750	\$103,500	\$207,000	-	-	-	-	

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	1/23/2012	1/23/2012				50,000	125,000	250,000	-	-
	6/13/2012					-	-	-	-	10
	6/26/2012					-	-	-	27,482	(1) -
Michael Fonstein		1/15/2013	\$40,500	\$81,000	\$162,000	-	-	-	-	-
	1/23/2012	1/23/2012				50,000	125,000	250,000	-	-
	6/26/2012					-	-	-	8,065	(1) -
C. Neil Lyons		1/15/2013	\$38,175	\$76,350	\$152,700	-	-	-	-	-
	1/23/2012	1/23/2012				50,000	125,000	250,000	-	-
	6/26/2012					-	-	-	20,273	(1) -
Andrei Gudkov		1/15/2013	\$52,103	\$104,206	\$208,411	-	-	-	-	-
	1/23/2012	1/23/2012				50,000	125,000	250,000	-	-
	6/26/2012					-	-	-	12,770	(1) -

(1) As discussed in footnote (2) to the Summary Compensation Table above, the executives opted to receive a restricted stock grant in lieu of cash salary.

The amounts in the “Estimated Possible Payouts Under Non-Equity Incentive Plan Awards” and “Estimated Possible Payouts Under Equity Incentive Plan Awards” columns represent the minimum, target and maximum amounts that our named executive officers were eligible for pursuant to our executive compensation plan. Actual amounts paid to each of the named executive officers under this plan are set forth in the Summary Compensation Table above. The shares granted on June 26, 2012 represent a restricted stock award offered under the Company’s equity incentive plan. This program was offered to all employees of the Company, and allowed employees to forgo a portion of their salary to receive shares of CBLI stock at a 15% discount on the grant date.

As discussed in footnote (3) to the Summary Compensation Table above, the stock awards and stock options in the table above represent awards granted in the year ended December 31, 2012 and the grant date fair value relating thereto computed in accordance with FASB ASC Topic 718. For a discussion of the stock awards and stock options granted in respect of services provided in the year ended December 31, 2012, see the discussion under “Compensation Discussion and Analysis—Our Executive Compensation Plan—Incentive Compensation” and “—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table.”

Option Exercises

There were no exercises of stock options by any of our named executive officers during the fiscal year ended December 31, 2012.

Pension Benefits

We do not have any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

We do not have any nonqualified defined contribution plans or other deferred compensation plan.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Yakov Kogan

We entered into an employment agreement dated as of August 1, 2004 with Yakov Kogan, our Chief Executive Officer, which included a three-year initial term and is renewed annually for successive one-year periods, unless earlier terminated in accordance with its terms.

Dr. Kogan was paid a base CBLI salary, exclusive of salaries paid by our majority-owned subsidiaries, at an annual rate of \$345,000 as of December 31, 2012. In addition, Dr. Kogan is eligible to earn an annual bonus based on corporate targets set by our board on an annual basis. The Compensation Committee has not yet established the corporate targets for Dr. Kogan for fiscal year 2013. For fiscal year 2012, and in lieu of any cash and option bonuses otherwise due under the 2012 Executive Compensation Plan, the “2012 Plan,” Dr. Kogan will be awarded a stock option grant, exercisable at the closing price of the Company’s stock on the date of award. The Compensation Committee has delayed the grant date for this award until two days after the Company exits its current black-out period, which is currently scheduled to occur on May 13, 2013. The number of shares subject to this option will be based on an overall dollar value equal to 30% of Dr. Kogan’s CBLI-only base pay as of December 31, 2012, and divided by the per share Black-Scholes of such option as value determined on the applicable grant date. The options will vest only if our stock

price is \$5.00 or more for at least five consecutive trading days, subject to Dr. Kogan's continued services with us through such date. This grant is not reflected in the tables above. In fiscal year 2012, Dr. Kogan received stock options to purchase 56,250 shares of our common stock, which were awarded as part of his

bonus for 2011. On June 13, 2012, Dr. Kogan was also issued 100,000 shares of our common stock commensurate with his appointment as the Chief Executive Officer of the Company. Both option grants were fully vested upon grant. In addition, Dr. Kogan was paid \$19,379 in fiscal year 2012 for 401(k) matching contributions and payment for unused vacation in accordance with the Company's vacation policy.

Dr. Kogan's employment agreement provides that such agreement will automatically be terminated on the date of his death. Furthermore, the employment agreement permits us to terminate Dr. Kogan upon written notice at any time, with or without cause, or due to a permanent disability.

If Dr. Kogan was terminated by us without cause as described in the agreement, he would be entitled to severance pay equal to six months of his annual salary. Pursuant to the employment agreement, to effect compliance with Section 409A of the Internal Revenue Code, such severance would not be paid until the earlier of six months and one day after termination or the his death. The employment agreement also contains confidentiality, assignment of inventions, non-competition and non-solicitation provisions to help protect the value of our intellectual property.

Michael Fonstein

We entered into an employment agreement dated as of August 1, 2004 with Michael Fonstein, our President, which included a three-year initial term and is renewed annually for successive one-year periods, unless earlier terminated in accordance with its terms.

Dr. Fonstein was paid a base CBLI salary, exclusive of salaries paid by our majority-owned subsidiaries, at an annual rate of \$270,000 as of December 31, 2012. In addition, Dr. Fonstein is eligible to earn an annual bonus based on corporate targets set by our board on an annual basis. The Compensation Committee has not yet established the corporate targets for Dr. Fonstein for fiscal year 2013. For fiscal year 2012, and in lieu of any cash and option bonuses otherwise due under the 2012 Plan, Dr. Fonstein will be awarded a stock option grant, exercisable at the closing price of the Company's stock on the date of award. The Compensation Committee has delayed the grant date for this award until two days after the Company exits its current black-out period, which is currently scheduled to occur on May 13, 2013. The number of shares subject to this option will be based on an overall dollar value equal to 30% of Dr. Fonstein's CBLI-only base pay as of December 31, 2012, and divided by the per share Black-Scholes of such option as value determined on the applicable grant date. The options will vest only if our stock price is \$5.00 or more for at least five consecutive trading days, subject to Dr. Fonstein's continued services with us through such date. This grant is not reflected in the tables above. In fiscal year 2012, Dr. Fonstein received stock options to purchase 56,250 shares of our common stock, which were awarded as part of his bonus for 2011. This option grant was fully vested upon grant. In addition, Dr. Fonstein was paid \$22,672 in fiscal year 2012 for 401(k) matching contributions and reimbursement for an apartment he maintains in Buffalo, New York.

Dr. Fonstein's employment agreement provides that such agreement will automatically be terminated on the date of his death. Furthermore, the employment agreement permits us to terminate Dr. Fonstein upon written notice at any time, with or without cause, or due to a permanent disability.

If Dr. Fonstein was terminated by us without cause as described in the agreement, he would be entitled to severance pay equal to six months of his annual salary. Pursuant to the employment agreement, to effect compliance with Section 409A of the Internal Revenue Code, such severance would not be paid until the earlier of six months and one day after termination or the his death. The employment agreement also contains confidentiality, assignment of inventions, non-competition and non-solicitation provisions to help protect the value of our intellectual property.

C. Neil Lyons, CPA

We entered into an employment agreement dated as of August 4, 2011 with C. Neil Lyons, our Chief Financial Officer, effective September 1, 2011. The employment agreement provides that Mr. Lyons' initial employment term extended until August 31, 2012 and, thereafter, his employment term will be renewed pursuant to terms of the employment agreement for successive one-year periods, unless earlier terminated in accordance with its terms.

Mr. Lyons was paid a base salary at an annual rate of \$254,500 in fiscal year 2012 and was awarded stock options to purchase 125,000 shares of the Company's common stock, of which 25% vested on the date on which Mr. Lyons commenced his employment, and 25% will vest on each of the one, two and three year anniversary dates of the commencement of employment. As an executive officer of the Company, Mr. Lyons is eligible to earn an annual bonus based on corporate targets set by our board on an annual basis. The Compensation Committee has not yet established the corporate targets for Mr. Lyons for fiscal year 2013. For fiscal year 2012, and in lieu of any cash and option bonuses otherwise due under the 2012 Plan, Mr. Lyons will be awarded a stock option grant, exercisable at the closing price of the Company's stock on the date of award. The Compensation Committee has delayed the grant date for this award until two days after the Company exits its current black-out period, which is currently scheduled to occur on May 13, 2013. The number of shares subject to this option will be based on an overall dollar value equal to 30% of Mr. Lyons' CBLI-only base pay as of December 31, 2012, and divided by the per share Black-Scholes of such option as value determined on the applicable grant date. The options will vest only if our stock price is \$5.00 or more for at least five consecutive trading days, subject to Mr. Lyons' continued services with us through such date. This grant is not reflected in the tables above. In fiscal year 2012, Mr. Lyons received stock options to purchase 18,750 shares of our common stock, which were awarded as part of his bonus for 2011. This option grant was fully vested upon grant.

Mr. Lyons' employment agreement provides that such agreement will automatically be terminated on the date of his death. Furthermore, the employment agreement permits us to terminate Mr. Lyons upon written notice at any time, with or without cause, or due to a permanent disability.

If Mr. Lyons is terminated by us without cause as described in the agreement, he would be entitled to severance pay equal to six months of his annual salary. Pursuant to the employment agreement, to effect compliance with Section 409A of the Internal Revenue Code, such severance would not be paid until the earlier of six months and one day after termination or the his death. The employment agreement also contains confidentiality, assignment of inventions, non-competition and non-solicitation provisions to help protect the value of our intellectual property.

Andrei Gudkov, Ph.D., D.Sci.

During the year ended December 31, 2012, our Chief Scientific Officer, Andrei Gudkov, served in such capacity pursuant to a consulting agreement dated as of January 1, 2010, as amended June 10, 2011. Dr. Gudkov's consulting agreement has an initial term of one year and automatically renews for successive one-year periods, unless earlier terminated in accordance with its terms.

Pursuant to the consulting agreement, Dr. Gudkov received base compensation from CBLI, exclusive of salaries paid by our majority-owned subsidiaries, at an annual rate of \$138,677 in fiscal year 2012. Pursuant to the consulting agreement, Dr. Gudkov is deemed an executive officer of the Company and is eligible to participate in our executive compensation plan. In addition, Dr. Gudkov is eligible to earn an annual bonus based on corporate targets set by our board on an annual basis. The Compensation Committee has not yet established the corporate targets for Dr. Gudkov for fiscal year 2013. For fiscal year 2012, and in lieu of any cash and option bonuses otherwise due under the 2012 Plan, Dr. Gudkov will be awarded a stock option grant, exercisable at the closing price of the Company's stock on the date of award. The Compensation Committee has delayed the grant date for this award until two days after the Company exits its current black-out period, which is currently scheduled to occur on May 13, 2013. The number of shares subject to this option will be based on an overall dollar value equal to 60% of Dr. Gudkov's CBLI-only base pay as of December 31, 2012, and divided by the per share Black-Scholes of such option as value determined on the applicable grant date. The options will vest only if our stock price is \$5.00 or more for at least five consecutive trading days, subject to Dr. Gudkov's continued services with us through such date. This grant is not reflected in the tables above. In fiscal year 2012, Dr. Gudkov received stock options to purchase 56,250 shares of our common stock, which were awarded as part of his bonus for 2011. This option grant was fully vested upon grant. The consulting agreement permits us to immediately terminate such agreement upon written notice only "for cause." The consulting agreement

also permits either party to terminate such agreement without cause upon 14 days' written notice to the other party. The consulting agreement also contains confidentiality and assignment of inventions provisions to help protect the value of our intellectual property, and an indemnification provision for the benefit of Dr. Gudkov.

Outstanding Equity Awards at Fiscal Year-End

The following table shows grants of stock options outstanding on the last day of the fiscal year ended December 31, 2012, including both awards subject to performance conditions and non-performance-based awards, to each of the executive officers named in the Summary Compensation Table. There were no stock option exercises by any of our named executive officers during the fiscal year ended December 31, 2012. There were no outstanding stock awards to the executive officers named in the Summary Compensation Table on the last day of the fiscal year ended December 31, 2012.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards		
		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Yakov Kogan	100,000		1.79	6/12/2022
	56,250		3.35	1/22/2022
	149,609		7.16	3/20/2021
	105,000		3.44	5/17/2020
	137,250		4.00	2/3/2018
	37,500		8.36	4/5/2017
Michael Fonstein	56,250		3.35	1/22/2022
	149,609		7.16	3/20/2021
	105,000		3.44	5/17/2020
	137,250		4.00	2/3/2018
	37,500		8.36	4/5/2017
C. Neil Lyons	18,750		3.35	1/22/2022
	62,500	62,500	2.41	8/31/2021
Andrei Gudkov	56,250		3.35	1/22/2022
	149,609		7.16	3/20/2021
	105,000		3.44	5/17/2020
	137,250		4.00	2/3/2018
	37,500		8.36	4/5/2017

Potential Payments upon Termination or Change-In-Control

The following descriptions are based on the employment agreements of Dr. Fonstein, Dr. Kogan and Mr. Lyons and the consulting agreement of Dr. Gudkov that were in effect as of December 31, 2012.

Pursuant to the employment agreements of Dr. Kogan, Dr. Fonstein and Mr. Lyons, if such executive is terminated for “cause” or resigns, we would not have any further obligations, except the payment of any base salary and reimbursable expenses accrued through the date of termination of such executive. If such executive is terminated by us without cause as described in his employment agreement, he would be entitled to severance pay equal to six months of his annual base salary reduced by the amount of compensation earned by the executive at other employment. If such executive is terminated due to a permanent disability or death, he would be entitled to receive severance pay equal to the base salary that would have been payable if he had continued his employment for the remaining term under his employment agreement. However, if such executive becomes permanently disabled or dies as a result of, or in conduct of, his employment duties under his employment agreement, he would be entitled to severance pay equal to his base salary that would have been payable had he continued his employment for a period

of no less than 18 months. In order to comply with Section 409A of the Internal Revenue Code, in certain instances, such severance may be delayed until the earlier of six months and one day after such executive's separation from service or his death.

Under the employment agreements for Dr. Fonstein, Dr. Kogan and Mr. Lyons, a "permanent disability" will be deemed to occur if such executive suffers a physical or mental illness, injury or infirmity that prevents him from performing, with or without reasonable accommodations, his essential job functions, for a total period of 120 days in any 360-day period. "Cause," as defined in the employment agreements, includes, among others, the following events, as determined in the reasonable good faith judgment of our board:

- the failure of such executive to perform his duties or comply with reasonable directions of our board which continues for ten days after our board has given written notice to such executive, specifying in reasonable detail the manner in which such executive has failed to perform such duties or comply with such directions;
- the determination by our board in the exercise of its reasonable judgment that such executive has committed an act or acts constituting a felony, dishonesty or disloyalty with respect to the Company or fraud;
- the determination by our board in the exercise of its reasonable judgment that such executive has committed an act, or has failed to take action, which act or failure to take action adversely affects the Company's business or reputation or indicates alcohol abuse or drug use by such executive that adversely affects his performance of the essential job functions hereunder; or
- the breach, non-performance or non-observance of any of the terms of such executive's employment agreement (other than as described in the first bullet above) or any other agreement to which such executive and the Company are parties, by such executive, if such breach, non-performance or non-observance shall continue beyond a period of ten business days immediately after written notice thereof by the Company to such executive.

Pursuant to Dr. Gudkov's consulting agreement, Dr. Gudkov may be terminated by us, effective immediately upon receipt of written notice, if he (a) breaches or threatens to breach the provisions relating to inventions and proprietary information, (b) engages in any malfeasance, misconduct or conduct likely to cause reputational harm to the Company, (c) enters into a relationship with a third party that creates a conflict of interest with his consulting services to the Company, (d) fails to perform or neglects his duties after written notice from the chief executive officer, or (e) dies or becomes physically or mentally disabled such that in the Company's reasonable judgment, Dr. Gudkov cannot perform his duties. The consulting agreement permits either Dr. Gudkov or us to terminate the consulting agreement upon 14 days' notice. Following termination, we are required to pay Dr. Gudkov all fees owed for services rendered prior to the termination date. If Mr. Gudkov is terminated without cause within the one year period following a change of control of the Company, he will be entitled to a payment equal to two and a half times his annual compensation under the consulting agreement, to be paid over a two and a half year period following the commencement of the payments, and the bonus he would have received for the year in which the termination occurred, to be paid in a lump sum on the date it would have been paid had the consulting agreement not been terminated. The severance payment and bonus are conditional upon Mr. Gudkov signing a release of all claims against the Company.

The following table summarizes the payments that would have been made to our named executive officers under the employment or consulting agreements, as applicable, upon a termination on December 31, 2012.

	Voluntary Termination/ Termination for Cause	Termination Without Cause	Death or Disability In Performance of Duty
Yakov Kogan	\$ -	\$ 215,000	\$ 645,000
Michael Fonstein	\$ -	\$ 177,500	\$ 532,500
C. Neil Lyons	\$ -	\$ 127,250	\$ 381,750
Andrei Gudkov	\$ -	\$ -	(1) \$ -

- (1) Pursuant to his consulting agreement, Mr. Gudkov would be entitled to receive a termination payment if he is terminated without cause within the one year period following a change of control of the Company.

Actual amounts that the named executive officers could receive in the future as a result of a termination of employment could differ materially from the amounts set forth above as a result of, among other things, changes in their base salaries, changes in our stock price and the vesting and grants of additional equity awards.

Director Compensation

The following is a description of the standard compensation arrangements under which our directors are compensated for their service as directors, including as members of the various committees of our board. Each of our directors whose compensation is disclosed above is not compensated in addition to the compensation they receive as a named executive officer of the Company.

For their service during 2012, each of our independent directors was entitled to receive an annual retainer of \$50,000. In addition to the annual retainer, the chairperson of the Audit Committee (Mr. Antal) received an annual fee of \$15,000 and the other members of the Audit Committee (Drs. Hohn and Kasten (through June 2012), and DiCorleto (beginning in June 2012)) each received an annual fee of \$10,000, pro-rated as appropriate for the period of their service. The chairperson of the Compensation Committee (Mr. Antal) received an annual fee of \$7,500 and the other members of the Compensation Committee (Drs. Hohn and Kasten) each received \$5,000. Each member of the Nominating and Corporate Governance Committee (Drs. Kasten, DiCorleto and Hohn), including the chairperson, received an annual fee of \$2,500. For the year ending December 31, 2012, we granted to each of our independent directors options to purchase 35,000 shares of common stock at an exercise price of \$1.79 per share. All of those options were awarded on June 13, 2012, 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 our board or board committee meetings. In addition, Dr. Kasten was awarded an option to purchase 100,000 shares of our common stock at an exercise price of \$1.45 per share on October 25, 2012. These options would have vested in full if certain goals were achieved prior to December 31, 2012. These goals were not achieved and therefore the options did not vest and expired on December 31, 2012.

The following table shows the total compensation paid or accrued during the fiscal year ended December 31, 2012 to each of our directors.

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (1)(\$) (c)	Option Awards (2)(\$) (d)	Total (\$) (h)
Bernard L. Kasten	51,375	10,147	144,081	205,603
David C. Hohn				