

CLEVELAND BIOLABS INC
Form DEF 14A
April 29, 2010

CLEVELAND BIOLABS, INC.

ANNUAL MEETING OF STOCKHOLDERS
June 8, 2010

NOTICE AND PROXY STATEMENT

CLEVELAND BIOLABS, INC.

April 29, 2010

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2010 Annual Meeting of Stockholders of Cleveland BioLabs, Inc. (the “Company” or “CBLI”) to be held at the Holiday Inn Buffalo Downtown, 620 Delaware Ave., Buffalo, New York 14202 on June 8, 2010, at 10:00 a.m., Eastern Time.

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

- First, to elect each of the Company’s seven directors to a one-year term expiring at the 2011 Annual Meeting;
- Second, to ratify the appointment of Meaden & Moore, Ltd. by the Audit Committee of the Board of Directors as the Company’s independent auditor for the fiscal year ending December 31, 2010;
- Third, to approve the First Amendment to the Cleveland BioLabs, Inc. Equity Incentive Plan (the “Equity Plan”), a copy of which is attached as Appendix A to the Proxy Statement, to increase the number of shares of common stock authorized to be issued under the Equity Plan by 3,000,000 shares; and
- Fourth, to transact such other business as may properly come before the meeting.

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

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

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

We look forward to seeing you on June 8,
2010.

Sincerely,

BERNARD L. KASTEN
Chairman of the Board

CLEVELAND BIOLABS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 8, 2010

To the Stockholders of
Cleveland BioLabs, Inc.:

The Annual Meeting of Stockholders of Cleveland BioLabs, Inc. (“CBLI”) will be held at 10:00 a.m., Eastern Time, on June 8, 2010, at the Holiday Inn Buffalo Downtown, 620 Delaware Ave., Buffalo, New York 14202 for the following purposes:

- (1) To elect each of CBLI’s seven directors to a one-year term expiring at the 2011 Annual Meeting;
- (2) To ratify the appointment of Meaden & Moore, Ltd. by the Audit Committee of the Board of Directors as the independent auditor of CBLI’s financial statements for the fiscal year ending December 31, 2010;
- (3) To approve the First Amendment to the Cleveland BioLabs, Inc. Equity Incentive Plan (the “Equity Plan”), a copy of which is attached as Appendix A to the Proxy Statement, to increase the number of shares of common stock authorized to be issued under the Equity Plan by 3,000,000 shares; and
- (4) To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on April 9, 2010, as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting. This Proxy Statement and the enclosed proxy are first being mailed to stockholders entitled to notice of and to vote at the Annual Meeting on or about April 29, 2010.

Yakov Kogan
Chief Operating Officer and Secretary
Buffalo, NY
April 29, 2010

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 8, 2010: CBLI’s Notice of Annual Meeting and Proxy Statement are available on the Internet at <http://www.cstproxy.com/cbiolabs/2010>.

Cleveland BioLabs, Inc.
73 High Street
Buffalo, New York 14203
(716) 849-6810

PROXY STATEMENT

Why did I receive these proxy materials?

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Cleveland BioLabs, Inc., a Delaware corporation (“CBLI,” the “Company,” “we,” “us” or “our”), of proxies to be voted at our 2010 Annual Meeting of Stockholders and at any adjournment or postponements thereof.

You are invited to attend our 2010 Annual Meeting of Stockholders on June 8, 2010, beginning at 10:00 a.m., Eastern Time. The Annual Meeting will be held at the Holiday Inn Buffalo Downtown, 620 Delaware Ave., Buffalo, New York 14202. During the Annual Meeting, stockholders will view a presentation by our management and have the opportunity to ask questions. Representatives from our auditor, Meaden & Moore, Ltd., will also be available to answer questions.

This Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy are being mailed to stockholders starting on or about April 29, 2010.

Who is entitled to vote at the Annual Meeting?

Holders of CBLI common stock, par value \$0.005 per share (the “Common Stock”), as of the close of business on April 9, 2010 (the “Record Date”) are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournments or postponements thereof. As of the Record Date, CBLI had outstanding 26,682,723 shares of Common Stock. Each share of Common Stock is entitled to one vote.

Who can attend the Annual Meeting?

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

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

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

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

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

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

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

What constitutes a quorum?

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

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

The Board of Directors recommends that you:

- vote FOR all of the Board of Directors’ nominees for election as directors;
- vote FOR the ratification of the appointment of Meaden & Moore, Ltd. as the independent auditor of our financial statements for the year ending December 31, 2010; and
- vote FOR the approval of the First Amendment (the “First Amendment”) to the Cleveland BioLabs, Inc. Equity Incentive Plan (the “Equity Plan”), a copy of which is attached as Appendix A hereto, to increase the number of shares of common stock authorized to be issued under the Equity Plan by 3,000,000 shares.

What vote is required to approve each proposal?

- Election of Directors. A plurality of all the votes cast at the Annual Meeting shall be sufficient to elect a director, which means that the seven persons receiving the highest number of “FOR” votes will be elected. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. Since the seven nominees for the Board of Directors are running uncontested, each of the nominees will be elected, regardless of how many votes are withheld with respect to such nominee.
- Ratification of Auditor. The affirmative vote of a majority of the shares of Common Stock represented in person or by proxy and entitled to be cast at the Annual Meeting is required to ratify the appointment by the Audit Committee of Meaden & Moore, Ltd. as the independent auditor of CBLI’s financial statements for the year ending December 31, 2010.
- First Amendment to Equity Plan. The affirmative vote of a majority of the shares of Common Stock represented in person or by proxy and entitled to be cast at the Annual Meeting is required to approve the First Amendment to the Equity Plan.

How do I vote?

If you complete and properly sign and return the accompanying proxy card, it will be voted as directed on such proxy card. You may also vote by telephone or through the Internet by following the instructions on the voting instruction card accompanying this Proxy Statement. The deadline for voting by telephone or via the Internet is 7:00 p.m., Eastern Time, on June 7, 2010.

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

Who are the persons selected by CBLI's Board of Directors to serve as proxies?

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

Who will count the vote?

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

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

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

Broker non-votes will also be counted by the election inspector in determining whether a quorum is present. Broker non-votes are proxies received from brokers when the broker has neither received voting instructions from the beneficial owner nor has discretionary power to vote on a particular proposal. Brokers are subject to the rules of the New York Stock Exchange ("NYSE"), and the NYSE rules provide that brokers only possess discretionary power to vote on matters that are considered routine, such as the approval of auditors described in Proposal 2. In contrast, brokers do not have discretionary authority to vote shares held in street name on non-routine matters. Under recent changes to NYSE rules, the election of directors is no longer considered a routine item. As a result, for the items described under Proposals 1 and 3, shares held in street name will not be voted unless the broker is given voting instructions by the beneficial owner. With respect to Proposal 1, for which each nominee must receive a plurality of shares entitled to vote and represented in person or by proxy, broker non-votes will have no effect on the outcome of the vote. With respect to Proposal 2, brokers have the discretionary authority to vote shares held in street name even if they do not receive voting instructions from the beneficial owner. With respect to Proposal 3, broker non-votes will be deemed shares not entitled to vote on such proposal, will not be counted as votes for or against such proposal, and will not be included in calculating the number of votes necessary for approval of such proposal.

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

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

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

Could other matters be decided at the Annual Meeting?

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

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

Yes. A list of stockholders entitled to vote at the Annual Meeting, arranged in alphabetical order, showing the address of, and number of shares registered in the name of, each stockholder, will be open to the examination of any stockholder, for any purpose germane to the Annual Meeting, during ordinary business hours, commencing May 29, 2010, and continuing through the date of the Annual Meeting, at the principal offices of CBLI, 73 High Street, Buffalo, New York 14203.

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

CBLI's Annual Report to Stockholders for the year ended December 31, 2009, containing financial and other information pertaining to CBLI, is being furnished to stockholders with this Proxy Statement. The Notice of Annual Meeting of Stockholders, Proxy Statement, Form 10-K and Annual Report to Stockholders are available on the Internet at <http://www.cstproxy.com/cbiolabs/2010> and are also available on the Company's website at www.cbiolabs.com under the link "Investors."

PROPOSAL 1
ELECTION OF DIRECTORS

CBLI's Board of Directors consists of seven directors, each of whom is a nominee in the current election. If elected, the seven nominees for election as directors at CBLI's 2010 Annual Meeting of Stockholders will serve for one year terms expiring at CBLI's 2011 Annual Meeting of Stockholders. The Board of Directors recommends that the stockholders vote in favor of the election of the nominees named in this Proxy Statement to serve as directors of CBLI. See "Nominees" below.

In accordance with NASDAQ Marketplace Rule 5605(b)(1), and the standard of independence defined in NASDAQ Marketplace Rule 5605(a)(2), "independent directors" make up a majority of CBLI's Board of Directors. CBLI's independent directors are James J. Antal, Paul E. DiCorleto, Bernard L. Kasten, and H. Daniel Perez. In making the determination of independence with respect to Dr. DiCorleto, the Nominating and Corporate Governance Committee of the Board of Directors, with Dr. DiCorleto abstaining from the determination, considered Dr. DiCorleto's affiliation with the Cleveland Clinic and satisfied itself that this affiliation does not detract or interfere with Dr. DiCorleto's ability to exercise independent judgment in carrying out his responsibilities as director and serving the best interests of our stockholders. Messrs. DiCorleto, Kasten and Perez make up our Nominating and Corporate Governance Committee. Messrs. Antal, Kasten and Perez make up our Compensation Committee and Audit Committee. As members of CBLI's Audit Committee, Messrs. Antal, Kasten, and Perez meet the additional independence requirements for audit committee members under NASDAQ Marketplace Rule 5605(c)(2). Specifically, Messrs. Antal, Kasten, and Perez satisfy the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), have not participated in the preparation of the financial statements of the Company at any time during the past three years, and are able to read and understand fundamental financial statements.

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

NOMINEES

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

Name	Age	Positions with CBLI
Bernard L. Kasten (1)(2)(3)	63	Chairman of the Board
James J. Antal (1)(3)	59	Director
Paul E. DiCorleto (2)(3)	58	Director
Michael Fonstein, Ph.D.	50	Director, Chief Executive Officer, President
Andrei Gudkov, Ph.D.	53	Director, Chief Scientific Officer
Yakov Kogan, Ph.D.	37	Director, Chief Operating Officer, Secretary
H. Daniel Perez (1)(2)(3)	61	Director

- (1) Member of the Audit Committee and Compensation Committee.
- (2) Member of the Nominating and Corporate Governance Committee.
- (3) Determined to be independent, in accordance with NASDAQ Marketplace Rules.

Bernard L. Kasten, M.D. Dr. Kasten became a member of our board on July 20, 2006 and was appointed Chairman of the Board on August 30, 2006. From 1995 to 2004, Dr. Kasten served at Quest Diagnostics Incorporated where he was Chief Laboratory Officer and most recently Vice President of Medical Affairs of its MedPlus Inc. subsidiary. Dr. Kasten served as a director of SIGA Technologies from May 2003 to December 2006, and as SIGA's Chief Executive Officer from July 2004 through April 2006. Dr. Kasten has served as a director of Enzo BioChem Inc. since 2008 and GeneLink Inc. since 2007. Dr. Kasten is also a director of several privately held companies. Dr. Kasten is a graduate of the Ohio State University College of Medicine. His residency was served at the University of Miami, Florida, and he was awarded fellowships at the National Institutes of Health Clinical Center and NCI, Bethesda, Maryland. He is a diplomat of the American Board of Pathology with certification in anatomic and clinical pathology with sub-specialty certification in Medical Microbiology. Dr. Kasten's background in biotechnology in both a research and commercial capacity provides valuable background and expertise to the Board.

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

Paul E. DiCorleto, Ph.D. Dr. DiCorleto has served as one of our directors since 2004. He is the Chairman of the Lerner Research Institute of the Cleveland Clinic and Chairman of the Department of Molecular Medicine at the Case School of Medicine. Dr. DiCorleto received his undergraduate training in chemistry at Rensselaer Polytechnic Institute and his doctorate in biochemistry from Cornell University. Dr. DiCorleto's research focuses on the molecular and cellular basis of atherosclerosis. He has been with the Cleveland Clinic since 1981, having served previously as Chairman of the Department of Cell Biology, as an Associate Chief of Staff, and as a member of the Clinic's Board of Governors and Board of Trustees. On a national level, Dr. DiCorleto has chaired multiple NIH 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 and serves on the editorial board of multiple scientific journals. 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's research background provides the Board with an experienced non-management perspective on the Company's research and development activity.

Michael Fonstein, Ph.D. Dr. Fonstein has served as our Chief Executive Officer, President, and as one of our directors since our inception in June 2003. 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 CEO and President of Integrated Genomics from 1997 to 2003. Dr. Fonstein has won several business awards, including the Incubator of the Year Award from the Association of University Related Research Parks. He was also the winner of a coveted KPMG Illinois High Tech Award. Dr. Fonstein's day-to-day leadership as Chief Executive Officer and President provides him with intimate knowledge of our operations.

Andrei Gudkov, Ph.D., D. Sci. Dr. Gudkov has served as one of our directors and as our Chief Scientific Officer since our inception in June 2003. Prior to 1990, he worked at The National Cancer Research Center in Moscow, where he led a broad research program focused on virology and cancer drug resistance. In 1990, he reestablished his lab at the University of Illinois at Chicago where he became a tenured faculty member in the Department of Molecular Genetics. His lab concentrated on the development of new functional gene discovery methodologies and the identification of new candidate cancer treatment targets. In 1999, he defined p53 as a major determinant of cancer treatment side effects and suggested this protein as a target for therapeutic suppression. In 2001, Dr. Gudkov moved his laboratory to the Lerner Research Institute at the Cleveland Clinic where he became Chairman of the Department of Molecular Biology and Professor of Biochemistry at Case Western Reserve University. 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 is a world renowned molecular biologist whose research discoveries drive the scientific foundations of the Company. As a result, he provides the Board with invaluable insight into the scientific direction of the Company.

Yakov Kogan, Ph.D. Dr. Kogan has served as one of our directors since our inception in June 2003, as Secretary since March 2006, and as Chief Operating Officer since February 2008. Dr. Kogan also served as our Executive Vice President of Business Development from our inception until February 2008. From 2002 to 2003, as Director for Business Development at Integrated Genomics, 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 provides the Board with a helpful blend of scientific understanding and business development that assists the Board in reviewing the revenue opportunities for its primary product candidates.

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

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

DIRECTOR COMPENSATION

For their service during the one-year term following the 2009 Annual Meeting, each of our independent directors was entitled to receive an annual retainer of \$50,000. Each of our independent directors elected, however, to receive a portion of his annual retainer in the form of Common Stock rather than cash. Specifically, each of Messrs. Kasten, Antal and DiCorleto elected to receive Common Stock with a value equivalent to \$25,000 (with the remaining \$25,000 portion of the retainer to be received by each in cash), and Mr. Perez elected to receive Common Stock with a value equivalent to \$15,000 (with the remaining \$35,000 portion of the retainer to be received by him in cash). The Common Stock portion of the retainer is expected to be delivered to each independent director in May 2010.

In addition to the annual retainer, the chairperson of the Audit Committee (Mr. Antal) receives an annual fee of \$15,000 and the other members of the Audit Committee (Messrs. Kasten and Perez) each receive an annual fee of \$10,000. The chairperson of the Compensation Committee (Mr. Kasten) receives an annual fee of \$7,500 and the other members of the Compensation Committee (Messrs. Antal and Perez) each receive \$5,000. Each member of the Nominating and Corporate Governance Committee (Messrs. Kasten, DiCorleto, and Perez), including the chairperson, receive an annual fee of \$2,500. For the year ending December 31, 2009, we granted to each of our independent directors options to purchase 35,000 shares of Common Stock at an exercise price of \$3.33 per share. All of those options were awarded on June 25, 2009, vested immediately upon grant and are exercisable for ten years. Each of our independent directors is also reimbursed for reasonable out-of-pocket expenses incurred in attending Board or Board committee meetings.

The total compensation of our directors (other than those directors whose compensation is disclosed herein under the heading "Executive Compensation") for the year ended December 31, 2009 in their capacity as directors is shown in the table below.

Name	Fees Earned or Paid in Cash(1) (\$)	Stock Awards (\$)	Option Awards(2) (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Bernard L. Kasten	\$ 44,167	-	\$ 80,500	-	-	-	\$ 124,667
H. Daniel Perez	\$ 45,625	-	\$ 80,500	-	-	-	\$ 126,125
James J. Antal	\$ 44,167	-	\$ 80,500	-	-	-	\$ 124,667
Paul E. DiCorleto	\$ 31,042	-	\$ 80,500	-	-	-	\$ 111,542
Andrei Gudkov(3)	-	-	-	-	-	-	-

(1) For services for the one-year term preceding the 2009 Annual Meeting, Messrs. Kasten, Perez, Antal and DiCorleto were paid \$17,500, \$16,875, \$17,500 and \$13,125 respectively in March 2009. The remaining portions of the amounts listed in this column reflect compensation for services rendered during the one-year term after the 2009 Annual Meeting that was paid in 2009.

(2) On June 25, 2009, following their election at the 2009 Annual Meeting, Messrs. Kasten, Perez, Antal, and DiCorleto each received options to purchase 35,000 shares of Common Stock at an exercise price of \$3.33 per share. All of those options vested immediately upon grant and are exercisable for ten years. Award amounts are calculated using the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation – Stock Compensation (“FASB ASC Topic 718”).

(3) For his services as Chief Scientific Officer, Mr. Gudkov received \$110,000 in cash compensation in 2009. He received no additional compensation for serving as a director.

Board Meetings— During the year ended December 31, 2009, the Board of Directors held eight meetings, and each director attended at least 75% of the aggregate of the total number of Board of Directors meetings and the total number of Committee meetings on which he served. Directors are expected to attend the Annual Meeting, absent unusual circumstances. All seven directors attended the 2009 Annual Meeting of Stockholders.

From the time that the Company became a public company, it has had separate individuals serve as Chairman of the Board and as Chief Executive Officer. The Board believes separating the roles at this stage in the Company’s evolution promotes and facilitates a healthy oversight function over management and better allows the Chief Executive Officer to focus on the day-to-day management of the Company.

The Board has an active role, as a whole and at the committee level, in overseeing management of the Company’s risks. The Board, as a whole, regularly reviews the Company’s risks arising from its cash reserves and drug development programs. The Audit Committee reviews risks arising from the Company’s financial reporting and the Compensation Committee reviews any risks arising from its executive compensation practices.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee, each comprised entirely of directors who are “independent” as that concept is defined in the corporate governance listing requirements of the NASDAQ Marketplace Rules. Each Committee has a written charter that is posted on the Company’s website, www.cbiolabs.com, under the link “Investors” and the section therein titled “Corporate Governance.” Each of Messrs. Antal, DiCorleto, Kasten, and Perez is independent under The NASDAQ Marketplace Rules and the Exchange Act. The members of the Audit Committee are Messrs. Antal (Chairperson), Kasten, and Perez. The members of the Compensation Committee are Messrs. Kasten (Chairperson), Antal, and Perez. The members of the Nominating and Corporate Governance Committee are Messrs. Kasten (Chairperson), DiCorleto, and Perez. Executive sessions of the independent directors are to be held at least twice per year.

Audit Committee— The Audit Committee generally has direct responsibility and oversight for CBLI’s accounting policies and internal controls, financial reporting practices, and legal and regulatory compliance. More specifically, the Audit Committee has responsibility to review and discuss the annual audited financial statements and disclosures with management and the independent auditor; review the financial statements and disclosures provided in CBLI’s quarterly and periodic reports with management and the independent auditor; and oversee the external audit coverage, including appointment and replacement of the independent auditor and pre-approval of all audit and non-audit services to be performed by the independent auditor. The Board of Directors has determined that Mr. Antal is an “audit committee financial expert,” as that term is defined in the Securities and Exchange Commission (the “SEC”) rules adopted pursuant to the Sarbanes-Oxley Act. During the year ended December 31, 2009, the Audit Committee held five meetings. See “Report of the Audit Committee of the Board of Directors.”

Compensation Committee— The Compensation Committee determines and approves the compensation level of executive officers based on an evaluation of their performance in light of CBLI’s goals and objectives. When determining the long-term incentive component of executive compensation, the Compensation Committee considers CBLI’s 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 of Directors compensation for directors and the form of this compensation. The Compensation Committee makes recommendations to the full Board of Directors with respect to the adoption, amendment, termination, or replacement of both incentive compensation plans and equity-based plans. The Compensation Committee has the power to retain professionals to assist in the evaluation of director and executive compensation, and has the sole authority to retain and terminate any such professional and to approve the professional’s fees. The Compensation Committee may also establish subcommittees of entirely independent directors to evaluate special or unique matters. During the year ended December 31, 2009, the Compensation Committee held nine meetings.

Nominating and Corporate Governance Committee— The Nominating and Corporate Governance Committee generally has responsibility for identifying candidates who are eligible under the qualification standards set forth in CBLI’s Corporate Governance Guidelines and recommending such eligible individuals to serve as members of the Board of Directors. It also makes recommendations to the Board of Directors concerning the structure and membership of other Board committees. The Nominating and Corporate Governance Committee is also charged with considering matters of corporate governance generally and reviewing and recommending to the Board of Directors, periodically, CBLI’s corporate governance principles. During the year ended December 31, 2009, the Nominating and Governance Committee held three meetings.

Corporate Governance Guidelines— The Board of Directors has adopted Corporate Governance Guidelines, which it reviews from time to time, to assist the Board of Directors in fulfilling its responsibility to exercise its business judgment in what it believes to be the best interests of CBLI’s stockholders. The Corporate Governance Guidelines are posted on the Company’s 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 of Directors 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 the Company’s website, www.cbiolabs.com, under the link “Investors” and the section therein titled “Corporate Governance.” CBLI has also adopted a Code of Conduct in order to promote honest and ethical conduct and compliance with the laws and governmental rules and regulations to which the Company is subject. The Code of Conduct is applicable to all of CBLI’s employees, officers and directors, and is posted on the Company’s website, www.cbiolabs.com, under the link “Investors” and the section therein titled “Corporate Governance.”

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

The Nominating and Corporate Governance Committee considers many factors when considering candidates for the Board of Directors and strives for the Board to be comprised of directors with a variety of experience and backgrounds, who have high-level managerial experience in a complex organization, and who represent the balanced interest of stockholders as a whole rather than those of special interest groups. Other important factors in Board composition include strength of character, mature judgment, specialized expertise, relevant scientific and technical skills, diversity, level of education, broad-based business acumen, experience and understanding of strategy and

policy-setting and the extent to which the candidate would fill a present need on the Board. Depending upon the current needs of the Board, certain factors may be weighed more or less heavily by the Nominating and Corporate Governance Committee. 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 of Directors or its committees, the director's tenure as a member of the Board of Directors, and the director's preparation for and participation in such meetings.

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

Stockholders who wish to suggest qualified candidates should write to the Office of the Secretary, Cleveland BioLabs, Inc., 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 the stockholders of the Company must comply with the Company's Second Amended and Restated By-Laws regarding stockholder proposals and nominations. See "Proposals of Stockholders" contained herein under "Miscellaneous and Other Matters."

Communications with the Board of Directors— Stockholders or other interested parties may communicate with the Board of Directors by sending a letter to CBLI 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 of Directors may change the process or means by which stockholders may communicate with the Board or its members. Please refer to CBLI's website, www.cbiolabs.com, for any changes in this process.

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

On or around May 31, 2006, we entered into a Collaboration Agreement with one of our stockholders, ChemBridge Corporation (“ChemBridge”), which at the time beneficially owned approximately 6.12% of our Common Stock. Pursuant to the Collaboration Agreement, we and ChemBridge agreed to collaborate on efforts to research and develop pharmaceutical compounds targeting renal cell carcinoma (a highly fatal form of kidney disease) and other cancers. The financial commitment from each party depends on the success of each step of the project. As part of the agreement, ChemBridge has agreed to provide 5.25 full-time equivalent personnel in exchange for a 50% interest in all developed pharmaceutical compounds.

Pursuant to our existing license agreement with The Cleveland Clinic Foundation (“CCF”), we have paid, as of December 31, 2009, \$350,000 in milestone payments. Since our inception, we have also subcontracted with CCF for grants, and lab and other services, in the approximate amount of \$3,207,000, of which approximately \$143,000 was paid in 2009 and \$519,000 was paid in 2008. As of December 31, 2009, CCF beneficially owned approximately 6.64% of our Common Stock.

Our Chief Scientific Officer and Board member, Dr. Andrei Gudkov, is the Senior Vice President of Basic Science and the Chairman of the Department of Cell Stress Biology at Roswell Park Cancer Institute (“RPCI”). We provide funding to Dr. Gudkov’s laboratory at RPCI (approximately \$522,000 in 2009 and approximately \$558,000 in 2008), and also purchase certain core services from RPCI, including mice, the housing and storage of mice, irradiator services, and other core services such as DNA sequencing and blood analysis. We paid RPCI approximately \$363,000 in 2009 and approximately \$404,000 in 2008 for such core services.

Effective March 1, 2010, we hired Leah Brownlee to serve in the position of Corporate Counsel. Ms. Brownlee is the spouse of Dr. Yakov Kogan, a member of our Board and our Chief Operating Officer and Secretary. Ms. Brownlee’s base annual salary is \$145,000 and upon her hire she also received options exercisable for 30,000 shares of common stock at the exercise price of \$3.79 per share.

EXECUTIVE OFFICERS

Set forth below is a table identifying the executive officer of CBLI who is not identified in the table entitled “Election of Directors—Nominees.”

Name	Age	Position
John A. Marhofer, Jr.	47	Chief Financial Officer

John (Jack) A. Marhofer, Jr., CMA, CFM Mr. Marhofer joined us as Controller and General Manager in February 2005 and was subsequently appointed to be our Chief Financial Officer in August 2005. He was Corporate Controller of Litehouse Products, Inc. from June 2001 to February 2005. Mr. Marhofer earned his Bachelor of Science in Accounting and Marketing from Miami University in Ohio in 1984, and his Masters in Business Administration in Finance from Akron University in Ohio in 1997, where he was named to the National Honor Society of the Financial Management Association.

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

Section 16(a) Beneficial Ownership Reporting Compliance— Section 16 of the Exchange Act requires CBLI’s officers (as defined under Section 16), directors and persons who beneficially own greater than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Based solely on a review of the forms it has received and written representations or the absence of written representations received in response to its inquiries, CBLI believes that, during 2009, all Section 16 filing requirements applicable to our officers, directors

and greater than 10% beneficial owners were complied with by such persons.

EXECUTIVE COMPENSATION

The following table provides information concerning compensation for services rendered to us for the years ended December 31, 2009 and December 31, 2008, paid to Michael Fonstein, who served as our principal executive officer, and our two most highly compensated executive officers (other than the principal executive officer), Messrs. Kogan and Marhofer (collectively, the "Named Officers").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non- Equity Incentive Plan Compensation	Non- Qualified Deferred Compensation	All Other Compensation	Total (\$)
						(\$)	(\$)	(\$)	
Michael Fonstein President and Chief Executive Officer	2009	235,000	-	-	-	-	-	11,179(1)	246,179
	2008	243,601	-	-	354,105(2)	-	-	12,214(3)	609,920
Yakov Kogan Chief Operating Officer and Secretary	2009	217,686	-	-	-	-	-	-	217,686
	2008	217,686	-	-	354,105(4)	-	-	3,756(5)	575,547
John A. Marhofer, Jr. Chief Financial Officer	2009	165,856	-	-	-	-	-	-	165,856
	2008	165,856	-	-	236,070(6)	-	-	-	401,926

- (1) Consists of reimbursement for commuting from primary residence in Chicago, Illinois.
- (2) Represents options to purchase 137,250 shares of the Company's Common Stock, granted on February 4, 2008 for performance during 2007, which vested immediately and have an exercise price of \$4.00 per share (the market price of our Common Stock on the date immediately after the grant).
- (3) Consists of reimbursement for commuting from primary residence in Chicago, Illinois.
- (4) Represents options to purchase 137,250 shares of the Company's Common Stock, granted on February 4, 2008 for performance during 2007, which vested immediately and have an exercise price of \$4.00 per share (the market price of our Common Stock on the date immediately after the grant).
- (5) Consists of reimbursement for relocation costs to Buffalo, New York.
- (6) Represents options to purchase 91,500 shares of the Company's Common Stock, granted on February 4, 2008 for performance during 2007, which vested immediately and have an exercise price of \$4.00 per share (the market price of our Common Stock on the date immediately after the grant).

CBLI entered into employment agreements dated as of August 1, 2004 with each of Michael Fonstein, CBLI's President and Chief Executive Officer, and Yakov Kogan, CBLI's Chief Operating Officer. For the year ended December 31, 2009, Dr. Fonstein's annual base salary was \$235,000 and Dr. Kogan's annual base salary was \$217,686. These agreements had three-year initial terms and are renewed pursuant to their terms for successive one-year periods, unless earlier terminated in accordance with their terms. If either executive is terminated by CBLI without cause as described in the agreements, he would be entitled to severance pay equal to nine months of his annual salary. Pursuant to amendments to each employment agreement entered into 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 executive's death. The agreements also contain confidentiality, assignment of inventions, non-competition and non-solicitation provisions to help protect the value of CBLI's intellectual property. Our Chief Scientific Officer, Andrei Gudkov, serves in such capacity pursuant to a consulting agreement, pursuant to which he was paid \$110,000 and \$114,215 in compensation for 2009 and 2008, respectively, and received options to purchase 0 and 137,250 shares of Common Stock in 2009 and 2008 (all of which options were for services provided in 2007), respectively.

On May 11, 2007, the Compensation Committee of the Board of Directors approved an executive compensation program designed to reward each of our executive officers for the achievement of certain pre-determined milestones. The purpose of the program is to link each executive officer's compensation to the achievement of key Company initiatives that the Compensation Committee believes have a strong potential to create long-term stockholder value.

Under the terms of this program, after each fiscal year, each component of our executive officers' compensation packages – base salary, cash bonus and stock option awards – will be measured against the Company's achievement of (1) stock performance milestones, (2) scientific milestones, (3) business milestones and (4) financial milestones. The milestones will be set at the beginning of each fiscal year. Each set of milestones has a threshold level, a target level and a high performance level. For base salary, increases will range between 2% for threshold performance to 6% for high performance. For cash bonuses, awards will range between 15% of base salary for threshold performance and 60% of base salary for high performance. For stock option awards, awards will range between 50,000 stock options for threshold performance and 200,000 for high performance.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Below is information relating to unexercised options held by the Named Officers as of December 31, 2009.

Name	Option Awards			Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Options (#)			
Michael Fonstein	137,250(1)			4.00	2/3/2018	
	37,500(2)	-	-	8.36	4/5/2017	
Yakov Kogan	137,250(1)			4.00	2/3/2018	
	37,500(2)	-	-	8.36	4/5/2017	
John A. Marhofer, Jr.	91,500(1)			4.00	2/3/2018	
	25,000(2)			8.36	4/5/2017	
	20,000(3)			4.50	2/28/2016	
	23,184(4)			0.67	6/30/2015	

(1) Immediately vested on the grant date of 2/4/2008

(2) Immediately vested on the grant date of 4/6/2007

(3) Options to acquire 5,000 shares of Common Stock immediately vested on grant date of 3/1/2006
Options to acquire 5,000 shares of Common Stock vested on 3/1/2007
Options to acquire 5,000 shares of Common Stock vested on 3/1/2008
Options to acquire 5,000 shares of Common Stock vested on 3/1/2009

(4) Options to acquire 5,796 shares of Common Stock immediately vested on grant date of 7/1/2005
Options to acquire 5,796 shares of Common Stock vested on 7/1/2006
Options to acquire 5,796 shares of Common Stock vested on 7/1/2007
Options to acquire 5,796 shares of Common Stock vested on 7/1/2008

REPORT OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

The Board of Directors maintains an Audit Committee comprised of three non-employee members of the Board of Directors. After reviewing the qualifications of the current members of the committee, and any relationships they may have with CBLI that might affect their independence from CBLI, the Board of Directors has determined that (1) all current members of the Audit Committee are “independent” as that concept is defined in Section 10A of the Exchange Act, (2) all current members of the Audit Committee are “independent” as that concept is defined in The NASDAQ Marketplace Rules, (3) all current members of the Audit Committee are financially literate, and (4) Mr. Antal qualifies as an audit committee financial expert under the applicable rules promulgated pursuant to the Exchange Act.

The members of the Audit Committee are not professional auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent auditors, nor can the Audit Committee certify that the independent auditors are “independent” under applicable rules. The Audit Committee serves in a board-level oversight role in which it provides advice, counsel and direction to management and the auditors based on the information it receives, on discussions with management and the auditors, and on the members of the Audit Committee’s experience in business, financial and accounting matters. The Audit Committee has the authority to engage its own outside advisors, apart from counsel or advisors hired by management, as it determines appropriate, including experts in particular areas of accounting. Management is responsible for the reporting processes and preparation and presentation of financial statements and the implementation and maintenance of internal controls. CBLI’s independent auditors are responsible for expressing an opinion on the conformity of CBLI’s audited financial statements to generally accepted accounting principles in the United States.

The Audit Committee assists the Board of Directors with fulfilling its oversight responsibility regarding the quality and integrity of the accounting, auditing, and financial reporting practices of the Company, including the Company’s internal controls over financial reporting. In discharging its oversight responsibilities regarding the audit process, the Audit Committee:

- (1) Reviewed and discussed the audited financial statements with management;
- (2) Discussed with Meaden & Moore, Ltd. the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, including the auditor’s judgments about the quality of the Company’s critical accounting policies and practices; and
- (3) Received and reviewed the written disclosures and the letters from Meaden & Moore, Ltd. required by applicable requirements of the Public Company Accounting Oversight Board regarding Meaden & Moore’s communications with the Audit Committee concerning independence, and discussed with Meaden & Moore any relationships that may impact Meaden & Moore’s objectivity or independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed with the SEC on March 22, 2010.

AUDIT COMMITTEE
James J. Antal (Chairperson)
Bernard L. Kasten
H. Daniel Perez

Principal Accountant Fees and Services

Meaden & Moore, Ltd. acts as the principal auditor for us and also provides certain audit-related services. We have entered into an engagement agreement with Meaden & Moore that sets forth the terms by which Meaden & Moore will perform audit services for us. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

The Audit Committee pre-approves all services provided by Meaden & Moore to us. In pre-approving services, the Audit Committee considers whether such services are consistent with the SEC's rules on auditor independence. The fees for the services provided by Meaden & Moore to us are set forth below:

Audit Fees

Audit Fees were \$96,021 for the year ended December 31, 2009 and were \$77,724 for the year ended December 31, 2008. Audit Fees consisted of audit work performed in the preparation of financial statements, quarterly financial statement reviews, statutory audits, consultation regarding financial accounting and/or reporting standards and filings with the SEC.

Audit-Related Fees

There were no fees billed by Meaden & Moore for Audit-Related Fees during the years ended December 31, 2009 and December 31, 2008.

Tax Fees

There were no fees billed by Meaden & Moore for Tax Fees during the years ended December 31, 2009 and December 31, 2008.

All Other Fees

There were no fees billed by Meaden & Moore for Other Fees during the years ended December 31, 2009 and December 31, 2008.

SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL STOCKHOLDERS

The following tables set forth information with respect to the beneficial ownership of Common Stock as of April 1, 2010, by (i) each person or entity known by CBLI to own beneficially more than 5% of the outstanding shares of Common Stock, (ii) each CBLI director, (iii) each CBLI executive officer, and (iv) all Company executive officers and directors as a group. Beneficial ownership percentages are based on 26,655,230 shares of Common Stock outstanding as of April 1, 2010.

Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to options, warrants or conversion rights held by that person that are currently exercisable or will become exercisable within 60 days after April 1, 2010 are deemed outstanding. These shares are not deemed outstanding for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise indicated, to the Company's knowledge, each person or entity has sole voting power and dispositive control over the shares shown as owned.

COMMON STOCK

Name	Number of Shares of Registrant Common Stock Beneficially Owned	Percentage of Class Beneficially Owned
Directors and Executive Officers		
Bernard L. Kasten Director, Chairman of the Board	120,000 (1)	*
James J. Antal Director	120,000 (2)	*
Paul E. DiCorleto Director	105,000 (3)	*
Michael Fonstein Director, Chief Executive Officer, President	1,445,950 (4)	5.39%
Andrei Gudkov Director, Chief Scientific Officer	1,689,350 (5)	6.30%
Yakov Kogan Director, Chief Operating Officer, Secretary	847,950 (6)	3.16%
H. Daniel Perez Director	120,000 (7)	*
John A. Marhofer, Jr. Chief Financial Officer	159,684 (8)	*
All directors and officers as a group (eight people)	4,607,934	16.57%
5% Stockholders		
The Cleveland Clinic Foundation(9)	1,341,000 (10)	5.03%
Paul P. Tanico (11)	1,844,679 (12)	6.74%
Ellen H. Adams (13)	1,844,679 (14)	6.74%

* Less than 1%.

19

- (1) Includes options to purchase 120,000 shares of Common Stock, which are currently exercisable.
- (2) Includes options to purchase 120,000 shares of Common Stock, which are currently exercisable.
- (3) Includes options to purchase 105,000 shares of Common Stock, which are currently exercisable.
- (4) Includes options to purchase 174,750 shares of Common Stock, which are currently exercisable.
- (5) Includes options to purchase 174,750 shares of Common Stock, which are currently exercisable.
- (6) Includes options to purchase 174,750 shares of Common Stock, which are currently exercisable. Does not include options to purchase 30,000 shares of Common Stock held by Mr. Kogan's spouse, beneficial ownership of which is disclaimed by Mr. Kogan.
- (7) Includes options to purchase 120,000 shares of Common Stock, which are currently exercisable.
- (8) Includes options to purchase 159,684 shares of Common Stock, which are currently exercisable.
- (9) 9500 Euclid Avenue, Cleveland, Ohio 44195.
- (10) The Cleveland Clinic Foundation is an Ohio non-profit corporation. The power to dispose of and vote these shares is controlled by corporate governance procedures pursuant to the Code of Regulations adopted by The Cleveland Clinic Foundation. Pursuant to these Regulations, the power to dispose of these shares is vested with the Board of Trustees and the power to vote these shares is vested in the (i) Chairman of the Board of Trustees, currently A. Malachi Mixon, II, (ii) President of the Board of Trustees, currently Delos M. Cosgrove, M.D., (iii) Vice President of the Board of Trustees, currently Stephen R. Hardis, and (iv) Vice Chairman of the Board of Trustees, which office is currently vacant. Any vote so exercised by these officers is deemed to have been exercised by and on behalf of The Cleveland Clinic Foundation.
- (11) c/o CastleRock Asset Management, Inc., 101 Park Avenue, 23rd Floor, New York, New York 10178.
- (12) Includes 1,130,393 shares of Common Stock owned by each of Paul P. Tanico and Ellen H. Adams (whether in their individual capacity or through an entity that they control), and 714,286 shares of Common Stock underlying a Series D Warrant held in the name of CRCK IV, LLC.
- (13) c/o CastleRock Asset Management, Inc., 101 Park Avenue, 23rd Floor, New York, New York 10178.
- (14) Includes 1,130,393 shares of Common Stock owned by each of Paul P. Tanico and Ellen H. Adams (whether in their individual capacity or through an entity that they control), and 714,286 shares of Common Stock underlying a Series D Warrant held in the name of CRCK IV, LLC.

PROPOSAL 2
RATIFICATION OF AUDITOR

The Audit Committee of the Board of Directors has appointed Meaden & Moore, Ltd., independent registered public accountants, as the independent auditor of CBLI's financial statements for the year ending December 31, 2010.

If our stockholders fail to ratify the appointment, the Audit Committee will reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of CBLI and its stockholders.

Meaden & Moore, Ltd. has been CBLI's independent registered public accounting firm since May 2005. Representatives of Meaden & Moore, Ltd. are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions.

The Board of Directors recommends that stockholders vote FOR the appointment of Meaden & Moore, Ltd. as the independent auditor of CBLI's financial statements for the year ending December 31, 2010.

PROPOSAL 3
APPROVAL OF FIRST AMENDMENT TO EQUITY PLAN

On April 8, 2010, the Board of Directors, acting on the recommendation of the Compensation Committee, unanimously adopted the First Amendment to the Equity Plan, a copy of which is attached as Appendix A hereto. The purpose of the First Amendment is to increase the number of shares of Common Stock authorized to be issued under the Equity Plan by 3,000,000 shares. As of the Record Date, there were 910,901 shares reserved and available for issuance under the Equity Plan. Upon stockholder approval of the First Amendment, the number of shares of Common Stock authorized to be issued under the Equity Plan will increase by 3,000,000 shares. All other terms of the Equity Plan shall remain the same. A copy of the Equity Plan, in the form approved by the Company's stockholders prior to the First Amendment, is attached as Appendix B hereto.

The Company's philosophy on compensation is to provide employees, consultants and directors with equity participation linked to long-term stock price performance, while at the same time remaining sensitive to the potential impact on our other stockholders. We believe that offering broad-based equity compensation helps to attract and retain employees, motivates participants to achieve long-term Company goals, and further aligns participants' interests with those of the Company's other stockholders. Employees with a stake in the future success of our business are motivated to achieve long-term growth and thus maximize stockholder value. The purpose of this proposal is to provide sufficient reserves of shares, based on our current business plans, to ensure the Company's ability to continue to provide employees, consultants and directors with an equity stake in the Company.

The Board of Directors recommends approval of the First Amendment to permit the issuance of the increased number of shares of Common Stock. The Board of Directors believes that this proposed increase is in the best interests of the Company and the stockholders. In the event that this proposal is not approved by our stockholders, and as a consequence we are unable to continue to grant equity awards at competitive levels, the Board of Directors believes that it will negatively affect our ability to meet our need for highly qualified personnel and our ability to manage future growth. In addition, stockholder approval of the First Amendment is necessary in order for us to be able to grant performance-based awards that qualify for the exception to the deductibility limit set forth in Section 162(m) of the Internal Revenue Code of 1986, as amended.

The description below of the material terms of the Equity Plan just a summary. This summary is subject to the specific provisions in the full text of the Equity Plan, as amended by the First Amendment, which is attached as Appendix B hereto.

MATERIAL FEATURES OF THE EQUITY PLAN

The purpose of the Equity Plan is to enable the Company to grant equity or cash awards to eligible officers, employees, directors and consultants at levels we believe will motivate superior performance, help us attract and retain outstanding personnel, motivate participants to achieve long-term Company goals, and further align participants' interests with those of the Company's other stockholders. Below is a summary of the key elements of the Equity Plan.

Administration

The Equity Plan will be administered by the Compensation Committee or another committee appointed by the Board (generally referred to as the “Compensation Committee” in this proposal) consisting of three or more members of the Board all of whom are intended to be "non-employee directors" as defined by Section 16 of the Exchange Act and "outside directors" within the meaning of Section 162(m) of the Code.

Stock Subject to the Equity Plan

As described above, if this proposal is approved by the stockholders, an additional 3,000,000 shares of Common Stock would be available for delivery upon exercise of equity awards under the Equity Plan. The shares of Common Stock that may be delivered under the Equity Plan consist of authorized and unissued shares. If any person exercises a stock option under the Equity Plan by paying the exercise price with shares of Common Stock which such person already owns, only the number of shares in excess of the shares so paid by such person will count against the total number of shares that may be delivered under the Equity Plan.

Eligibility

The Compensation Committee may grant awards under the Equity Plan to our officers, employees, directors (including non-employee directors) and consultants.

Types of Awards

The Equity Plan allows us to grant the following types of awards:

- | | |
|--|---------------------------|
| § incentive stock options; | § restricted stock; |
| § nonqualified stock options; | § performance awards; and |
| § stock appreciation rights or “SARs”; | § substitute awards. |
| § stock awards; | |

Stock Options. A stock option is the right to purchase a specified number of shares of our Common Stock in the future at a specified exercise price and subject to other terms and conditions specified in the option agreement and the Equity Plan. Stock options granted under the Equity Plan will be either “incentive stock options,” which are intended to receive special tax treatment under the Code, or options other than incentive stock options (referred to as “non-qualified options”), as determined by the Compensation Committee and stated in the applicable option agreement. The number of shares covered by each option will be determined by the Compensation Committee, which will be set forth in the award agreement. The per-share exercise price of a stock option must not be less than the fair market value of the Company’s Common Stock on the date of grant of the option. Each option may be subject to limitations or conditions on its exercise as the Compensation Committee may determine. Unless otherwise provided in the option agreement, each option may be exercised in cash or by “cashless exercise.” Each option granted under the Equity Plan will generally expire on or before ten years following the date such option was granted (five years for incentive stock options granted to stockholders who own greater than 10% of our voting stock). No incentive stock option may be granted to an optionee, which, when combined with all other incentive stock options becoming exercisable in any calendar year that are held by that optionee, would have an aggregate fair market value in excess of \$100,000. In the event an optionee is awarded \$100,000 in incentive stock options in any calendar year, any incentive stock options in excess of \$100,000 granted during the same year will be treated as non-qualified stock options. Non-qualified stock options are generally transferable to family members by gift or by will or the laws of descent and distribution. The Equity Plan prohibits the repricing of stock options. For this purpose, “repricing” means (1) lowering of the exercise price of a stock option after it is granted, (2) cancelling a stock option and re-granting a stock option with a lower exercise price than the original exercise price of the cancelled stock option, and (3) any other action, whether by

amendment, cancellation or the making of a replacement grant, that has the effect of repricing a stock option.

Stock Appreciation Rights or SARs. All SARs must be granted on a stand-alone basis (i.e., not in conjunction with stock options granted under the Equity Plan). SARs are subject to the terms and conditions set by the Compensation Committee. A SAR granted under the Equity Plan entitles its holder to receive, at the time of exercise, an amount per share equal to the excess of the fair market value (at the date of exercise) of a share of the Common Stock over a specified price, known as the strike price, fixed by the Compensation Committee, which will not be less than 100% of the fair market value of the Common Stock on the grant date of the SAR. Payment may be made in cash, shares of the Common Stock, or in any combination of the two, as determined by the Compensation Committee.

Restricted Stock. Restricted stock is Common Stock that is forfeitable until the restrictions lapse. The Compensation Committee will determine the restrictions for each award and the purchase price in the case of restricted stock, if any. Restrictions on the restricted stock may include time-based restrictions or the achievement of specific performance goals. If the performance goals are not achieved or the restrictions do not lapse within the time period provided in the award agreement, the participant will forfeit his or her restricted stock.

Performance Awards. The Equity Plan includes performance awards. The Compensation Committee will determine the amounts and terms of all performance awards, including any applicable performance goals. In the case of performance awards intended to satisfy Section 162(m) of the Code, the Compensation Committee will designate individuals eligible for performance awards within the first 90 days of the year for which the annual incentive award will apply, with certain exceptions, and will certify in writing the attainment of performance goals following the end of the applicable performance period. In addition, the Compensation Committee may establish threshold, target and maximum performance award opportunities for each participant. Annual incentive awards may be paid in cash, shares of Common Stock, restricted stock, options, any other award under the Equity Plan or other property.

Substitute Awards. Substitute awards are awards that may be granted in replacement of stock or stock-based awards from another business held by current and former employees or non-employee directors of, or consultants to, such business that is, or whose stock is, acquired by us, in order to preserve the economic value of all or a portion of a substituted award on such terms and conditions (including price) as the Compensation Committee determines.

Vesting

Unless otherwise provided in a particular award agreement, stock options, stock appreciation rights and restricted stock will vest over four years in annual increments of 25% of the total award amount.

Performance-Based Compensation

The Compensation Committee may grant stock-based or cash-based awards that are subject to the attainment of certain performance goals, which are described as performance awards above. The objective performance criteria for such awards (other than stock options and SARs) granted under the Equity Plan are designed to qualify for the performance-based exception from the tax deductibility limitations of Section 162(m) of the Code and are to be based on one or more of the following:

- Earnings before interest, tax, depreciation or amortization (“EBITDA”) (actual and adjusted and either in the aggregate or on a per-share basis);
- Share price (including growth measures and total stockholder return or attainment by the shares of a specified value for a specified period of time);

- Earnings (either in the aggregate or on a per-share basis);
- Net income or loss (either in the aggregate or on a per-share basis);
- Operating profit;
- Growth or rate of growth in cash flow;
- Cash flow provided by operations (either in the aggregate or on a per-share basis);
- Free cash flow (either in the aggregate on a per-share basis);
- Costs;
- Gross revenues;
- Reductions in expense levels;
- Operating and maintenance cost management and employee productivity;
- Stockholder returns (including return on assets, investments, equity, or gross sales);
- Return measures (including return on assets, equity, or sales);
- Growth or rate of growth in return measures;
- Net economic value;
- Economic value added;
- Aggregate product unit and pricing targets; Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures;
- Achievement of business or operational goals such as market share and/or business development;
- Achievement of diversity objectives;
- Results of customer satisfaction surveys;
- Debt ratings, debt leverage and debt service
- Safety performance;
- Business unit and site accomplishments;
- Achievement of scientific milestones;
- Corporate governance objectives; and
- Adherence to budget levels.

In any calendar year, no participant may be granted awards for options, SARs, stock awards and performance awards payable in stock that exceed, in the aggregate, 400,000 underlying shares of Common Stock. No participant may be granted a performance award payable in cash for any calendar year, the maximum payout for which exceeds \$1,000,000. No participant may be granted a performance award payable in cash for a performance period of more than one year, the maximum payout for which exceeds \$2,500,000. These limits are higher than we expect to be needed for awards under the Equity Plan, and are included in the Equity Plan to comply with the requirements for deductibility of awards subject to Section 162(m) of the Code.

Effect of Certain Events on Awards

In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, combination or exchange of shares, recapitalization or other change in the capital structure of the Company, the Compensation Committee shall make such substitution or adjustment as may be deemed equitable as to (a) the number and kind of securities to be delivered under the Equity Plan, (b) the maximum number or amount of awards that may be granted in a fiscal year, (c) the number and kind of securities subject to outstanding awards, (d) the exercise price of any outstanding stock options or stock appreciation rights or (e) any other characteristics or terms of the awards as it may determine.

In the event of a change in control of the Company, outstanding stock options and stock appreciation rights shall be deemed to fully vest and become fully exercisable and any restrictions on outstanding restricted stock awards shall lapse. In addition, any repurchase rights of the Company as to outstanding awards may be terminated by the Compensation Committee upon a change in control.

For purposes of the Equity Plan, a “change in control” generally occurs when (1) any corporation, person or group obtains Common Stock that represents 50% or more of the Company's voting power; (2) the majority of our Board of Directors changes, subject to certain exceptions, over a two-year period; (3) a corporate transaction or sale of all or substantially all of our assets, after which the Company no longer possesses a voting majority; or (4) the approval by

the Company's stockholders of a liquidation or dissolution of the Company.

Termination of Employment

With respect to stock options and SARs granted pursuant to an award agreement, unless the applicable award agreement provides otherwise, in the event of a participant's termination of employment or service due to his or her death or disability, such participant's stock options or SARs will vest and remain exercisable until one year after such termination (but not beyond the original term of the option), and thereafter will be cancelled and forfeited to us. Unless the applicable award agreement provides otherwise, in the event of a participant's termination of employment or service by the participant's without cause, such participant's vested stock options or SARs (to the extent exercisable at the time of such termination) will remain exercisable until 90 days after such termination (but not beyond the original term of the option) and thereafter will be cancelled and forfeited to us. Unless the applicable award agreement provides otherwise, in the event of a participant's termination of employment due to retirement, such participant's stock options or SARs will continue to vest over the three (3) year period following such termination, and, to the extent vested, will remain exercisable during the three (3) year period following such termination (but not beyond the original term of the option), and thereafter will be cancelled and forfeited to us. Unless the applicable award agreement provides otherwise, in the event of a participant's voluntary termination of employment or service (and not due to such participant's death, disability or retirement), such participant's stock options or SARs (to the extent exercisable at the time of such termination) will remain exercisable until 30 days after such termination (but not beyond the original term of the option) and thereafter will be cancelled and forfeited to us. In the event of a participant's termination of employment or service for cause, such participant's outstanding stock options or SARs will immediately be cancelled and forfeited to us.

The vesting and/or forfeiture of any other type of award in connection with a termination of employment or service will be as provided for in the applicable award agreement.

Amendment and Termination

Our Board of Directors may amend, alter, suspend or terminate the Equity Plan provided that no such amendment or termination of the Equity Plan or amendment of outstanding awards may materially impair the previously accrued rights of any recipient of an option under the Equity Plan without his or her written consent. However, the Board of Directors will be required to obtain approval of the stockholders of any amendment of the Equity Plan that:

§ _____ is required approval by law, rule or regulation; or
§ relates to any award intended to qualify for an exemption under Section 162(m) of the Code if such approval is required under Section 162(m) of the Code.

The Equity Plan will terminate on April 29, 2018, unless the Equity Plan is terminated earlier by our Board of Directors or due to delivery of all shares of Common Stock available under the Equity Plan; however, any options outstanding when the Equity Plan terminates will remain outstanding until such options terminate or expire.

Certain Federal Income Tax Consequences

The following is a brief summary of certain significant United States Federal income tax consequences, under the Code, as in effect on the date of this summary, applicable to the Company and participants in connection with awards under the Equity Plan. This summary assumes that all awards will be exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. If an award fails to comply with Section 409A of the Code, the award may be subject to immediate taxation, interest and tax penalties in the year the award vests or is granted. This summary is not intended to be exhaustive, and, among other things, does not describe state, local or foreign tax consequences, or the effect of gift, estate or inheritance taxes.

Options. The grant of stock options under the Equity Plan will not result in taxable income to the recipient of the option or an income tax deduction for us. However, the transfer of Common Stock to an option holder upon exercise of his or her options may or may not give rise to taxable income to the option holder and tax deductions for us, depending upon whether the options are “incentive stock options” or non-qualified options.

The exercise of a non-qualified option by an option holder generally results in immediate recognition of taxable ordinary income by the option holder and a corresponding tax deduction for us in the amount by which the fair market value of the shares of Common Stock purchased, on the date of such exercise, exceeds the aggregate exercise price paid. Any appreciation or depreciation in the fair market value of those shares after the date of such exercise will generally result in a capital gain or loss to the holder at the time he or she disposes of those shares.

In general, the exercise of an incentive stock option is exempt from income tax (although not from the alternative minimum tax) and does not result in a tax deduction for us if the holder has been an employee of ours at all times beginning with the option grant date and ending three months before the date the holder exercises the option (or twelve months in the case of termination of employment due to disability). If the holder has not been so employed during that time, the holder will be taxed as described above for nonqualified stock options. If the option holder disposes of the shares purchased more than two years after the incentive stock option was granted and more than one year after the option was exercised, then the option holder will recognize any gain or loss upon disposition of those shares as capital gain or loss. However, if the option holder disposes of the shares prior to satisfying these holding periods (known as “disqualifying dispositions”), the option holder will be obligated to report as taxable ordinary income for the year in which that disposition occurs the excess, with certain adjustments, of the fair market value of the shares disposed of, on the date the incentive stock option was exercised, over the exercise price paid for those shares. The Company would be entitled to a tax deduction equal to that amount of ordinary income reported by the option holder. Any additional gain realized by the option holder on the disqualifying disposition of the shares would be capital gain. If the total amount realized in a disqualifying disposition is less than the exercise price of the incentive stock option, the difference would be a capital loss for the option holder.

Stock Appreciation Rights. The granting of SARs does not result in taxable income to the recipient of a SAR or a tax deduction for us. Upon exercise of an SAR, the amount of any cash the participant receives and the fair market value as of the exercise date of any Common Stock received are taxable to the participant as ordinary income and such amount will be deductible by the Company.

Restricted Stock. Unless an election is made by the recipient under Section 83(b) of the Code, a participant will not recognize any taxable income upon the award of shares of restricted stock that are not transferable and are subject to a substantial risk of forfeiture. Dividends paid with respect to restricted stock prior to the lapse of restrictions applicable to that stock will be taxable as compensation income to the participant. Generally the participant will recognize taxable ordinary income at the first time those shares become transferable or are no longer subject to a substantial risk of forfeiture, in an amount equal to the fair market value of those shares when the restrictions lapse, less any amount paid with respect to the award of restricted stock. The recipient's tax basis will be equal to the sum of the amount of ordinary income recognized upon the lapse of restrictions and any amount paid for such restricted stock. The recipient's holding period will commence on the date on which the restrictions lapse.

As indicated above, a participant may elect, under Section 83(b) of the Code, to recognize taxable ordinary income upon the award date of restricted stock (rather than being taxed as described above) based on the fair market value of the shares of Common Stock subject to the award on the date of the award. If a participant makes that election, any dividends paid with respect to that restricted stock will not be treated as compensation income, but rather as dividend income, and the participant will not recognize additional taxable income when the restrictions applicable to his or her restricted stock award lapse. Assuming compliance with the applicable tax withholding and reporting requirements, the Company will be entitled to a tax deduction equal to the amount of ordinary income recognized by a participant in connection with his or her restricted stock award in the taxable year in which that participant recognizes that ordinary income.

Other Awards. The granting of a performance award (whether payable in shares or cash) or a stock-based award generally should not result in the recognition of taxable income by the recipient or a tax deduction by us. The payment or settlement of these awards should generally result in immediate recognition of taxable ordinary income by the recipient equal to the amount of any cash paid or the then-current fair market value of the shares of Common Stock received, and a corresponding tax deduction by the Company. If the shares covered by the award are not transferable and are subject to a substantial risk of forfeiture, the tax consequences to the participant and the Company will be similar to the tax consequences of restricted stock awards described above. If the award consists of unrestricted shares of Common Stock, the recipient of those shares will immediately recognize as taxable ordinary income the fair market value of those shares on the date of the award, and the Company will be entitled to a corresponding tax deduction.

Section 162(m) of the Code. Under Section 162(m) of the Code, we may be limited as to Federal income tax deductions to the extent that total annual compensation in excess of \$1 million is paid to our Chief Executive Officer or any one of our other three highest paid executive officers (other than the Chief Financial Officer) who are employed by the Company on the last day of our taxable year. However, certain “performance-based compensation,” the material terms of which are disclosed to and approved by our stockholders, is not subject to this deduction limitation.

Section 280G of the Code. Under certain circumstances, accelerated vesting, exercise or payment of awards under the Equity Plan in connection with a “change in control” of the Company might be deemed an “excess parachute payment” for purposes of the golden parachute payment provisions of Section 280G of the Code. To the extent that it is so considered, the participant holding the award would be subject to an excise tax equal to 20% of the amount of the excess parachute payment, and the Company would be denied a tax deduction for the amount of the excess parachute payment. However, the Equity Plan provides for an automatic reduction of a participant’s awards under the Equity Plan to the extent that an award would result in any excess parachute payment that would trigger such an excise tax, unless the participant is party to a written agreement with the Company that provides for other treatment with respect to such excess parachute payments.

New Plan Benefits

The Company cannot determine the amounts of awards that will be granted under the Equity Plan or the benefits of any awards to the executive officers named in the Summary Compensation Table, the executive officers as a group, or employees who are not executive officers as a group. Under the terms of the Equity Plan, the number of awards to be granted is within the discretion of the Compensation Committee.

The Board of Directors recommends that stockholders vote FOR the approval of the First Amendment to the Equity Plan.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2009, regarding Common Stock that may be issued under the Company's equity compensation plans, including the Equity Plan. Information is included for both equity compensation plans approved by the Company's stockholders and not approved by the Company's stockholders (which date back to before the Company became a reporting company under the Exchange Act).

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
Equity compensation plans approved by security holders	2,277,100	\$ 5.76	1,105,992
Equity compensation plans not approved by security holders	239,907	\$ 2.45	-
Total	2,517,007	\$ 5.45	1,105,992

MISCELLANEOUS AND OTHER MATTERS

Proposals of Stockholders— In accordance with Rule 14a-8 promulgated under the Exchange Act, proposals of stockholders intended to be considered for inclusion in the Company's proxy statement for the 2011 Annual Meeting of Stockholders must be received by the Secretary of CBLI not less than 120 days prior to April 29, 2011. In addition, Article II, Section 4 of the Company's Second Amended and Restated By-Laws (the "Notice Provision") provides that for business to be properly brought before an annual meeting by a stockholder, the stockholder must deliver written notice to, or mail such notice so that it is received by, the Secretary of the Company, at the principal executive offices of the Company, not less than 90 days, nor more than 120 days, prior to the first anniversary of the date of the previous year's annual meeting of stockholders. Proposals of stockholders intended to be considered at CBLI's 2011 Annual Meeting of Stockholders must be received by the Secretary of CBLI not less than 90 days, nor more than 120 days, prior to June 8, 2011.

Cost of Solicitation— The cost of CBLI's proxy solicitation will be borne by CBLI. CBLI may request banks, brokers, fiduciaries, custodians, nominees and certain other record holders to send proxies, proxy statements and other materials to their principals at CBLI's expense. Such banks, brokers, fiduciaries, custodians, nominees and other record holders will be reimbursed by CBLI for their reasonable out-of-pocket expenses of solicitation. Original solicitation of proxies by mail may be supplemented by telephone, facsimile or personal solicitation by directors, officers or other employees of CBLI. No additional compensation will be paid to directors, officers or other employees for such services.

Delivery to Security Holders Sharing an Address— Only one Notice and Proxy Statement is being delivered to multiple security holders sharing an address unless contrary instructions have been received from one or more of the security holders. A separate copy of the Notice and Proxy Statement may be requested by writing to us at 73 High Street, Buffalo, NY 14203 or by calling us at (716) 849-6810. Similarly, you may contact us through either of these methods if you are receiving multiple copies of the Notice and Proxy Statement and would prefer to receive a single copy in the future.

APPENDIX A
FIRST AMENDMENT TO
CLEVELAND BIOLABS, INC.
EQUITY INCENTIVE PLAN

(as amended and restated effective April 29, 2008)

1. Section 1 (Establishment and Purpose) of the Cleveland BioLabs, Inc. Equity Incentive Plan (the “Plan”) is hereby deleted in its entirety and replaced with the following:

The Cleveland BioLabs, Inc. Equity Incentive Plan (the “Plan”) was established under the name Cleveland BioLabs, Inc. 2006 Equity Incentive Plan (the “2006 Plan”) by Cleveland BioLabs, Inc., a Delaware corporation (the “Company”). The Plan was amended, restated and renamed upon its approval by the Company’s stockholders effective April 29, 2008. The Plan is hereby further amended, as set forth herein, effective June 8, 2010, subject to the approval of the Company’s stockholders of that certain First Amendment (the “First Amendment”) to the Plan. The purpose of the Plan is to attract and retain persons eligible to participate in the Plan; motivate Participants to achieve long-term Company goals; and further align Participants’ interests with those of the Company’s other stockholders. No Awards that are settled in Stock shall be granted hereunder prior to the approval of the Plan by the Company’s stockholders. Unless the Plan is discontinued earlier by the Board as provided herein, no Award shall be granted hereunder on or after the date 10 years after the Effective Date. The Plan shall terminate on April 29, 2018, or such earlier time as the Board may determine.

2. The first paragraph of Section 3 (Stock Subject to Plan) of the Plan is hereby deleted in its entirety and replaced with the following:

Subject to adjustment as provided in this Section 3, the number of shares of Stock reserved for delivery under the Plan shall be the sum of (a) three million (3,000,000) shares, plus (b) the number of remaining shares under the 2006 Plan and the Plan (i.e., not subject to outstanding Awards and not delivered out of shares reserved thereunder) as of the date of stockholder approval of that certain First Amendment to the Plan, plus (c) the number of shares that become available under the 2006 Plan or the Plan after the date of stockholder approval of the First Amendment pursuant to forfeiture, termination, lapse or satisfaction of an Award in cash or property other than shares, application as payment for an Award, or, except with respect to Restricted Stock, to satisfy withholding, plus (d) any shares required to satisfy Substitute Awards.

3. The foregoing amendment was duly adopted and approved in accordance with Section 9(a) of the Plan.

APPENDIX B

CLEVELAND BIOLABS, INC.

EQUITY INCENTIVE PLAN

(as amended and restated effective April 29, 2008)

CLEVELAND BIOLABS, INC.
EQUITY INCENTIVE PLAN

1. ESTABLISHMENT AND PURPOSE.

The Cleveland BioLabs, Inc. Equity Incentive Plan (the “Plan”) was established under the name Cleveland BioLabs, Inc. 2006 Equity Incentive Plan (the “2006 Plan”) by Cleveland BioLabs, Inc., a Delaware corporation (the “Company”). The 2006 Plan hereby is amended, restated and renamed as set forth herein, effective April 29, 2008, subject to the approval of the Company’s stockholders. The purpose of the Plan is to attract and retain persons eligible to participate in the Plan; motivate Participants to achieve long-term Company goals; and further align Participants’ interests with those of the Company’s other stockholders. No Awards that are settled in Stock shall be granted hereunder prior to the approval of the Plan by the Company’s stockholders. Unless the Plan is discontinued earlier by the Board as provided herein, no Award shall be granted hereunder on or after the date 10 years after the Effective Date. The Plan shall terminate on April 29, 2018 or such earlier time as the Board may determine.

Certain terms used herein are defined as set forth in Section 10.

2. ADMINISTRATION; ELIGIBILITY.

The Plan shall be administered by the Compensation Committee, or such other Committee, appointed by the Board consisting of three (3) or more members of the Board all of whom are intended to be “non-employee directors” within the meaning of Section 16 of the Securities Exchange Act of 1934 and the regulations promulgated thereunder and “outside directors” within the contemplation of Section 162(m) of the Code; provided, however, that, if at any time no Compensation Committee or other Committee has been appointed or is eligible to act in the circumstances, the Plan shall be administered by the Board. The Plan may be administered by different Committees with respect to different groups of Eligible Individuals. As used herein, the term “Administrator” means the Board, the Compensation Committee or any of the Board’s other Committees as shall be administering the Plan or any individual delegated authority to act as the Administrator in accordance with this Section 2. A majority of the members of the Compensation Committee, such other Committee or the Board, as applicable, shall constitute a quorum, and all determinations shall be made by a majority of the members thereof.

The Administrator shall have plenary authority to grant Awards pursuant to the terms of the Plan to Eligible Individuals. Participation shall be limited to such persons as are selected by the Administrator.

Among other things, the Administrator shall have the authority, subject to the terms of the Plan:

(a) to select the Eligible Individuals to whom Awards may from time to time be granted;

(b) to determine whether and to what extent Stock Options, Stock Appreciation Rights, Stock Awards or any combination thereof are to be granted hereunder;

(c) to determine the number of shares of Stock to be covered by each Award granted hereunder;

(d) to approve forms of agreement for use under the Plan;

- (e) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder (including, but not limited to, the option price, any vesting restriction or limitation, any vesting acceleration or waiver of forfeiture, and any right of repurchase, right of first refusal or other transfer restriction regarding any Award and the shares of Stock relating thereto, based on such factors or criteria as the Administrator shall determine);
- (f) subject to Section 9(a), to modify, amend or adjust the terms and conditions of any Award, at any time or from time to time, including, but not limited to, with respect to (i) performance goals and targets applicable to performance based Awards pursuant to the terms of the Plan and (ii) extension of the post-termination exercisability period of Stock Options;
- (g) to determine the Fair Market Value; and
- (h) to determine the type and amount of consideration to be received by the Company for any Stock Award issued under Section 6.

The Administrator shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

In order to assure the viability of Awards granted to Participants employed in foreign countries who are not subject to U.S. tax law, the Administrator may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom. Moreover, the Administrator may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3 of the Plan.

Except to the extent prohibited by applicable law, the Administrator may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any portion of its responsibilities and powers to any other person or persons selected by it. Any such allocation or delegation may be revoked by the Administrator at any time. The Administrator may authorize any one or more of their members or any officer of the Company to execute and deliver documents on behalf of the Administrator.

Any determination made by the Administrator or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Administrator or such delegate at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Administrator or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Participants.

No member of the Administrator, and no officer of the Company, shall be liable for any action taken or omitted to be taken by such individual or by any other member of the Administrator or officer of the Company in connection with the performance of duties under this Plan, except for such individual's own willful misconduct or as expressly provided by law.

3. STOCK SUBJECT TO PLAN.

Subject to adjustment as provided in this Section 3, the number of shares of Stock reserved for delivery under the Plan shall be the sum of (a) two million (2,000,000) shares, plus (b) the number of remaining shares under the 2006 Plan (i.e., not subject to outstanding Awards and not delivered out of shares reserved thereunder) as of the date of the initial stockholder approval of this Plan, plus (c) the number of shares that become available under the 2006 Plan after the date of the initial stockholder approval of this Plan pursuant to forfeiture, termination, lapse or satisfaction of an Award in cash or property other than shares, application as payment for an Award, or, except with respect to Restricted Stock, to satisfy withholding, plus (d) any shares required to satisfy Substitute Awards.

If any shares of Stock subject to an Award granted hereunder are forfeited or such Award otherwise terminates without the delivery of such shares, the shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for grant under the Plan. If any shares of Stock subject to an Award granted hereunder are withheld or applied as payment in connection with the exercise of an Award (including the withholding of shares on the exercise of a SAR that is settled in shares) or, except with respect to shares of Restricted Stock, the withholding or payment of taxes related thereto, such shares of Stock shall again be available for grant under the Plan.

Subject to adjustment as provided in this Section 3, the maximum number of shares that may be covered by Stock Options, Stock Appreciation Rights, Stock Awards and Performance Awards payable in Shares, in the aggregate, granted to any one Participant during any calendar year shall be four hundred thousand (400,000) shares. No Participant may be granted a Performance Award payable in cash, the maximum payout for which would exceed one million dollars (\$1,000,000) during any calendar year. No Participant may be granted a Performance Award for a Performance Period of more than one (1) Year, the maximum payout for which would exceed two and one-half million dollars (\$2,500,000).

In the event of any Company stock dividend, special cash dividend, stock split, combination or exchange of shares, recapitalization or other change in the capital structure of the Company, corporate separation or division of the Company (including, but not limited to, a split-up, spin-off, split-off or other distribution to Company stockholders, other than a normal cash dividend), sale by the Company of all or a substantial portion of its assets (measured on either a stand-alone or consolidated basis), reorganization, rights offering, partial or complete liquidation, merger or consolidation in which the Company is the surviving corporation, or any other corporate transaction, Company share offering or other event involving the Company and having an effect similar to any of the foregoing, the Administrator shall make such substitution or adjustments in the (a) number and kind of shares that may be delivered under the Plan, (b) additional maximums imposed in the immediately preceding paragraph, (c) number and kind of shares subject to outstanding Awards, (d) exercise price of outstanding Stock Options and Stock Appreciation Rights and (e) other characteristics or terms of the Awards as it may determine appropriate in its sole discretion to equitably reflect such corporate transaction, share offering or other event; provided, however, that the number of shares subject to any Award shall always be a whole number.

The Committee may, in its discretion and on such terms and conditions as the Committee considers appropriate in the circumstances, grant Substitute Awards under the Plan. For purposes of this Section 3, "Substitute Award" means an Award granted under the Plan in substitution for stock and stock-based awards ("Acquired Entity Awards") held by current and former employees or non-employee directors of, or consultants to, another corporation or entity who become Eligible Individuals as the result of a merger, consolidation or combination of the employing corporation or other entity (the "Acquired Entity") with the Company, an Affiliate or Subsidiary or the acquisition by the Company, an Affiliate or Subsidiary of property or stock of the Acquired Entity immediately prior to such merger, consolidation, acquisition or combination in order to preserve for such Eligible Individuals the economic value of all or a portion of such Acquired Entity Award at such price as the Committee determines necessary to achieve preservation of economic value.

In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, then, except as otherwise provided herein and/or in the discretion of the Administrator, each Stock Option, to the extent not theretofore exercised, shall terminate forthwith.

Notwithstanding the foregoing, no adjustment pursuant to this Section 3 shall be made to the extent that such adjustment would result in liability under Section 409A of the Code.

4. STOCK OPTIONS.

Stock Options may be granted alone or in addition to other Awards granted under the Plan and may be of two types: Incentive Stock Options and Non-Qualified Stock Options. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

The Administrator shall have the authority to grant any Participant Incentive Stock Options, Non-Qualified Stock Options or both types of Stock Options. Incentive Stock Options may be granted only to employees of the Company and its subsidiaries (within the meaning of Section 424(f) of the Code). To the extent that any Stock Option is not designated as an Incentive Stock Option or, even if so designated, does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option. Incentive Stock Options may be granted only within 10 years from the date the Plan is adopted, or the date the Plan is approved by the Company's stockholders, whichever is earlier.

Stock Options shall be evidenced by option agreements, each in a form approved by the Administrator. An option agreement shall indicate on its face whether it is intended to be an agreement for an Incentive Stock Option or a Non-Qualified Stock Option. The grant of a Stock Option shall occur as of the date the Administrator determines, subject to FASB Statement 123(R) and guidance thereunder.

Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Optionee affected, to disqualify any Incentive Stock Option under Section 422 of the Code.

To the extent that the aggregate Fair Market Value of Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company and its subsidiaries within the meaning of Section 424(f) of the Code) exceeds \$100,000, such Stock Options shall be treated as Non-Qualified Stock Options.

Stock Options granted under this Section 4 shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Administrator shall deem desirable:

- (a) **Exercise Price.** The exercise price per share of Stock purchasable under a Stock Option shall be determined by the Administrator at the time of grant; provided, however, that the exercise price per share shall be not less than the Fair Market Value per share on the date the Stock Option is granted, or in the case of an Incentive Stock Option granted to an individual who is a Ten Percent Holder, not less than 110% of such Fair Market Value per share on the date the Stock Option is granted.

- (b) **Option Term.** The term of each Stock Option shall be fixed by the Administrator at the time of grant, but no Incentive Stock Option shall be exercisable more than 10 years (or five years in the case of an individual who is a Ten Percent Holder) after the date the Incentive Stock Option is granted.
- (c) **Vesting.** Except as otherwise provided in the applicable option agreement, an Optionee may not exercise a Stock Option during the period commencing on the date of the grant of such Stock Option to him or her and ending on the day immediately preceding the first anniversary of such date. Except as otherwise provided in the applicable option agreement, an Optionee may (i) during the period commencing on the first anniversary of the date of the grant of a Stock Option to him or her and ending on the day immediately preceding the second anniversary of such date, exercise such Stock Option with respect to one-fourth of the shares granted thereby; (ii) during the period commencing on the second anniversary of the date of such grant and ending on the day immediately preceding the third anniversary of the date of such grant, exercise such Stock Option with respect to one-half of the shares granted thereby; (iii) during the period commencing on the third anniversary of the date of such grant and ending on the day immediately preceding the fourth anniversary of such date, exercise such Stock Option with respect to three-fourths of the shares granted thereby and (iv) during the period commencing on the fourth anniversary of the date of such grant and ending at the time the Stock Option expires pursuant to the terms of the Plan, exercise such Stock Option with respect to all of the shares granted thereby.
- (d) **Exercisability.** Except as otherwise provided herein, Stock Options shall be subject to such terms and conditions, performance requirements, restrictions, forfeiture provisions, contingencies and limitations, if any, as shall be determined by the Administrator and listed in the applicable Stock Option agreement. If any Stock Option is exercisable only in installments, the Administrator may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Administrator may determine. In addition, the Administrator may at any time, in whole or in part, accelerate the exercisability of any Stock Option.
- (e) **Method of Exercise.** Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock subject to the Stock Option to be purchased.

The option price of any Stock Option shall be paid in full in cash (by certified or bank check or such other instrument as the Company may accept) or, unless otherwise provided in the applicable option agreement, by one or more of the following: (i) in the form of mature shares of unrestricted Stock already owned by the Optionee, based on the Fair Market Value of the Stock on the date the Stock Option is exercised; (ii) by certifying ownership of shares of mature Stock owned by the Optionee to the satisfaction of the Administrator for later delivery to the Company as specified by the Company; (iii) unless otherwise prohibited by law for either the Company or the Optionee, by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Stock Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise; or (iv) by any combination of cash and/or any one or more of the methods specified in clauses (i), (ii) and (iii). Notwithstanding the foregoing, a form of payment shall not be permitted to the extent it would cause the Company to recognize a compensation expense (or additional compensation expense)

with respect to the Stock Option for financial reporting purposes.

If payment of the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of Restricted Stock, the number of shares of Stock to be received upon such exercise equal to the number of shares of Restricted Stock used for payment of the option exercise price shall be subject to the same forfeiture restrictions to which such Restricted Stock was subject, unless otherwise determined by the Administrator.

No shares of Stock shall be issued upon exercise of a Stock Option until full payment therefor has been made. Upon exercise of a Stock Option (or a portion thereof), the Company shall have a reasonable time to issue the Stock for which the Stock Option has been exercised, and the Optionee shall not be treated as a stockholder for any purposes whatsoever prior to such issuance. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date such Stock is recorded as issued and transferred in the Company's official stockholder records, except as otherwise provided herein or in the applicable option agreement.

- (f) **Transferability of Stock Options.** Except as otherwise provided in the applicable option agreement, a Non-Qualified Stock Option (i) shall be transferable by the Optionee to a Family Member of the Optionee, provided that (A) any such transfer shall be by gift with no consideration and (B) no subsequent transfer of such Stock Option shall be permitted other than by will or the laws of descent and distribution, and (ii) shall not otherwise be transferable except by will or the laws of descent and distribution. An Incentive Stock Option shall not be transferable except by will or the laws of descent and distribution. A Stock Option shall be exercisable, during the Optionee's lifetime, only by the Optionee or by the guardian or legal representative of the Optionee, it being understood that the terms "holder" and "Optionee" include the guardian and legal representative of the Optionee named in the applicable option agreement and any person to whom the Stock Option is transferred (X) pursuant to the first sentence of this Section 4(f) or pursuant to the applicable option agreement or (Y) by will or the laws of descent and distribution. Notwithstanding the foregoing, references herein to the termination of an Optionee's employment or provision of services shall mean the termination of employment or provision of services of the person to whom the Stock Option was originally granted.
- (g) **Termination by Death.** Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates by reason of death, any Stock Option held by such Optionee may thereafter be exercised for a period of one year from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter.
- (h) **Termination by Reason of Disability.** Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates by reason of Disability, any Stock Option held by such Optionee may thereafter be exercised by the Optionee for a period of one year from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter.
- (i) **Termination by Reason of Retirement.** Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates by reason of Retirement, any Stock Option held by such Optionee may thereafter be exercised by the Optionee for a period of three years from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter.

- (j) Involuntary Termination Without Cause. Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates involuntarily without Cause, and for reasons other than death, Disability or Retirement, any Stock Option held by such Optionee may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of 90 days from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option that is unvested or unexercisable at the date of termination shall thereupon terminate.
- (k) Involuntary Termination for Cause. Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates involuntarily for Cause, vesting of all outstanding Stock Options held by such Optionee shall thereupon terminate and all Stock Options held by such Optionee shall thereupon terminate.
- (l) Other Termination. Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services is terminated by the Optionee for any reason other than death, Disability or Retirement, any Stock Option held by such Optionee may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of 30 days from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option that is unvested or unexercisable at the date of termination shall thereupon terminate.
- (m) Exception to Termination. If provision of services by the Optionee to the Company or an Affiliate ceases as a result of a transfer of such Optionee from the Company to an Affiliate, or from an Affiliate to the Company, such transfer shall not be a termination of employment or provision of services for purposes of this Plan, unless expressly determined otherwise by the Administrator. A termination of employment or provision of services shall occur for an Optionee who is employed by, or provides services to, an Affiliate of the Company if the Affiliate shall cease to be an Affiliate and the Optionee shall not immediately thereafter be employed by, or provide services to, the Company or an Affiliate.
- (n) Notwithstanding the foregoing, to the extent permitted under Section 409A of the Code, the exercise period following a termination described in subsection (g), (h), (i), (j) or (l) above shall be tolled for any applicable window/blackout period restrictions under the Company's insider trading policy.

5. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights may be granted under the Plan on a stand-alone basis only. The Administrator shall have the authority to grant Stock Appreciation Rights to any Participant. Except as otherwise provided herein, a Stock Appreciation Right shall terminate and no longer be exercisable as determined by the Administrator.

Stock Appreciation Rights shall be evidenced by stock appreciation right agreements, each in a form approved by the Administrator. The grant of a Stock Appreciation Right shall occur as of the date the Administrator determines, subject to FASB Statement 123(R) and guidance thereunder.

A Stock Appreciation Right may be exercised by a Participant as determined by the Administrator in accordance with this Section 5. Upon such exercise, the Participant shall be entitled to receive an amount determined in the manner prescribed in this Section 5.

Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined by the Administrator, including the following:

- (a) **Stock Appreciation Right Term.** The term of each Stock Appreciation Right shall be fixed by the Administrator at the time of grant.
- (b) **Vesting.** Except as otherwise provided in the applicable stock appreciation right agreement, a Participant may not exercise a Stock Appreciation Right during the period commencing on the date of the grant of such Stock Appreciation Right to him or her and ending on the day immediately preceding the first anniversary of such date. Except as otherwise provided in the applicable stock appreciation right agreement, a Participant may (i) during the period commencing on the first anniversary of the date of the grant of a Stock Appreciation Right and ending on the day immediately preceding the second anniversary of such date, exercise the Stock Appreciation Right with respect to one-fourth of the shares to which the Stock Appreciation Right applies, (ii) during the period commencing on the second anniversary of the date of such grant and ending on the day immediately preceding the third anniversary of the date of such grant, exercise the Stock Appreciation Right with respect to one-half of the shares to which the Stock Appreciation Right applies, (iii) during the period commencing on the third anniversary of the date of such grant and ending on the day immediately preceding the fourth anniversary of such date, exercise the Stock Appreciation Right with respect to three-fourths of the shares to which the Stock Appreciation Right applies; and (iv) during the period commencing on the fourth anniversary of the date of such grant ending at the time the Stock Appreciation Right expires pursuant to the terms of the Plan, exercise the Stock Appreciation Right with respect to all the shares to which the Stock Appreciation Right applies.
- (c) **Exercisability.** Notwithstanding Section 5(a), the Administrator may at any time, in whole or in part, accelerate the exercisability of any Stock Appreciation Right.
- (d) **Method of Exercise.** Subject to the provisions of this Section 5, Stock Appreciation Rights may be exercised, in whole or in part, at such time or times during the exercisability as determined by the Administrator by giving written notice of exercise to the Company specifying the number of shares with respect to which the Stock Appreciation Right is being exercised.
- (e) Upon the exercise of a Stock Appreciation Right, a Participant shall be entitled to receive an amount in cash or in shares of Stock, which in the aggregate are equal in value to the excess of the Fair Market Value of one share of Stock on the date of exercise over the Fair Market Value of one share of Stock on the date of grant, multiplied by the number of shares in respect of which the Stock Appreciation Right

shall have been exercised.

- (f) A Stock Appreciation Right shall be transferable only to, and shall be exercisable only by, such persons permitted in accordance with Section 4(f).
- (g) Termination by Death. Except as otherwise provided in the applicable option agreement, if a Participant's employment or provision of services terminates by reason of death, any Stock Appreciation Right held by such Participant may thereafter be exercised for a period of one year from the date of such death or until the expiration of the stated exercisability period of such Stock Appreciation Right, whichever period is shorter.

- (h) Termination by Reason of Disability. Except as otherwise provided in the applicable option agreement, if a Participant's employment or provision of services terminates by reason of Disability, any Stock Appreciation Right held by such Participant may thereafter be exercised by the Participant for a period of one year from the date of such termination of employment or provision of services or until the expiration of the exercisability period of such Stock Appreciation Right, whichever period is shorter.
- (i) Termination by Reason of Retirement. Except as otherwise provided in the applicable option agreement, if a Participant's employment or provision of services terminates by reason of Retirement, any Stock Appreciation Right held by such Participant may thereafter be exercised by the Participant for a period of three years from the date of such termination of employment or provision of services or until the expiration of the exercisability period of such Stock Appreciation Right, whichever period is shorter.
- (j) Involuntary Termination Without Cause. Except as otherwise provided in the applicable option agreement, if a Participant's employment or provision of services terminates involuntarily without Cause, and for reasons other than death, Disability or Retirement, any Stock Appreciation Right held by such Participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of 90 days from the date of such termination of employment or provision of services or until the expiration of the exercisability period of such Stock Appreciation Right, whichever period is shorter, and any Stock Appreciation Right that is unvested or unexercisable at the date of termination shall thereupon terminate.