

CLEVELAND BIOLABS INC  
Form 424B3  
November 13, 2006

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-136904

Prospectus Supplement No. 2  
(to Prospectus dated September 21, 2006)

CLEVELAND BIOLABS, INC.  
4,453,601 Shares

This Prospectus Supplement No. 2 supplements and amends the prospectus dated September 21, 2006, as supplemented and amended by Prospectus Supplement No. 1 thereto dated October 25, 2006 (collectively, the "Prospectus") relating to the offer and sale of up to 4,453,601 shares of our common stock which may be offered from time to time by the selling stockholders identified in the Prospectus for their own accounts. This Prospectus Supplement is not complete without, and may not be delivered or used except in connection with the original Prospectus.

This Prospectus Supplement No. 2 includes the attached Form 10-QSB of Cleveland BioLabs, Inc. dated November 13, 2006, as filed by us with the Securities and Exchange Commission.

This Prospectus Supplement No. 2 modifies and supersedes, in part, the information in the Prospectus. Any information that is modified or superseded in the Prospectus shall not be deemed to constitute a part of the Prospectus, except as modified or superseded by this Prospectus Supplement No. 2. We may amend or supplement the Prospectus from time to time by filing amendments or supplements as required. You should read the entire Prospectus and any amendments or supplements carefully before you make an investment decision.

**Investing in our common stock involves risk. See "Risk Factors" beginning on page 8 of the Prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the Prospectus or this Prospectus Supplement No. 2 is truthful or complete. Any representations to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 2 is November 13, 2006.

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

**Form 10-QSB**

(Mark one)

**Quarterly Report Pursuant to Section 13 or 15 (d) Of the Securities  
Exchange Act of 1934**

For the Quarterly Period Ended September 30, 2006

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

**Commission File Number 001-12465**

**CLEVELAND BIOLABS, INC.**

**(Exact name of small business issuer as specified in its charter)**

**DELAWARE**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**20-0077155**  
**(I.R.S. Employer Identification No.)**

**11000 Cedar Ave., Suite 290**  
**CLEVELAND, OHIO 44106**  
**(Address of principal executive offices and zip code)**

**(216) 229-2251**  
**(Issuer's telephone number)**

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

As of September 30, 2006 there were 11,826,389 shares of registrant's Common Stock, \$.005 par value

Transitional Small Business Disclosure Format (Check One): YES  NO

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CLEVELAND BIOLABS INC  
 10-Q  
 11/10/2006

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## CLEVELAND BIOLABS, INC.

## BALANCE SHEETS

September 30, 2006 (unaudited) and December 31, 2005

	September 30 2006 (unaudited)	December 31 2005
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 5,441,611	\$ 1,206,462
Short-term investments	2,892,447	2,382,190
Accounts receivable:		
Trade	76,644	-
Interest	42,205	37,035
Prepaid expenses - IPO	-	210,987
Other prepaid expenses	144,978	12,249
Deferred compensation	846	5,134
<b>Total current assets</b>	<b>8,598,731</b>	<b>3,854,057</b>
<b>EQUIPMENT</b>		
Computer equipment	118,465	91,788
Lab equipment	318,083	225,997
Furniture	65,087	40,158
	501,635	357,943
Less accumulated depreciation	115,284	47,080
	386,351	310,863
<b>OTHER ASSETS</b>		
Deferred compensation	188	752
Intellectual Property	182,416	76,357
Deposits	14,360	11,304
	196,964	88,413
<b>TOTAL ASSETS</b>	<b>\$ 9,182,046</b>	<b>\$ 4,253,333</b>

## CLEVELAND BIOLABS, INC.

## BALANCE SHEETS

September 30, 2006 (unaudited) and December 31, 2005

	September 30 2006 (unaudited)	December 31 2005
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable:		
Trade	\$ 573,581	\$ 264,783
Deferred revenue	-	100,293
Accrued expenses	44,175	28,579
Total current liabilities	617,756	393,655
<b>LONG-TERM LIABILITIES</b>		
Convertible notes payable	-	303,074
Milestone payables	50,000	-
Total long-term liabilities	50,000	303,074
<b>STOCKHOLDERS' EQUITY</b>		
Series A convertible preferred stock, \$.005 par value		
Authorized - 10,000,000 and 4,000,000 shares at September 30, 2006 and December 31, 2005, respectively		
Issued and outstanding -0- and 3,051,219 shares at September 30, 2006 and December 31, 2005, respectively	-	15,256
Additional paid-in capital	-	4,932,885
Unissued shares - preferred stock	-	360,000
Common stock, \$.005 par value		
Authorized - 40,000,000 and 12,000,000 shares at September 30, 2006 and December 31, 2005, respectively		
Issued and outstanding 11,826,389 and 6,396,801 shares at September 30, 2006 and December 31, 2005, respectively	59,132	31,984
Additional paid-in capital	18,133,661	3,338,020
Unissued shares - common stock	-	81,125
Accumulated other comprehensive income (loss)	(7,553)	(17,810)
Accumulated deficit	(9,670,950)	(5,184,856)
Total stockholders' equity	8,514,290	3,556,604
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 9,182,046</b>	<b>\$ 4,253,333</b>

## CLEVELAND BIOLABS, INC.

## STATEMENT OF OPERATIONS

Three Months and Nine Months Ending September 30, 2006 and 2005 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30 2006 (unaudited)	September 30 2005 (unaudited)	September 30 2006 (unaudited)	September 30 2005 (unaudited)
<b>REVENUES</b>				
Grant	\$ 263,368	\$ 446,194	\$ 1,271,787	\$ 624,850
Service	60,000	120,000	205,000	139,275
	323,368	566,194	1,476,787	764,125
<b>OPERATING EXPENSES</b>				
Research and Development	1,281,055	846,454	4,341,535	1,507,040
Selling, general and administrative	708,776	406,958	1,367,457	778,638
Total operating expenses	1,989,831	1,253,412	5,708,992	2,285,678
<b>LOSS FROM OPERATIONS</b>	<b>(1,666,463)</b>	<b>(687,218)</b>	<b>(4,232,205)</b>	<b>(1,521,553)</b>
<b>OTHER INCOME</b>				
Interest Income	81,189	37,315	125,719	83,952
<b>OTHER EXPENSE</b>				
Interest Expense	2,257	4,287	11,198	13,558
<b>NET LOSS</b>	<b>\$ (1,587,530)</b>	<b>\$ (654,190)</b>	<b>\$ (4,117,684)</b>	<b>\$ (1,451,159)</b>
<b>DIVIDENDS ON CONVERTIBLE PREFERRED STOCK</b>	<b>(22,035)</b>	<b>(92,289)</b>	<b>(215,933)</b>	<b>(199,625)</b>
<b>NET LOSS AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$ (1,609,565)</b>	<b>\$ (746,479)</b>	<b>\$ (4,333,617)</b>	<b>\$ (1,650,784)</b>
<b>NET LOSS AVAILABLE TO COMMON SHAREHOLDERS PER SHARE OF COMMON STOCK - BASIC AND DILUTED</b>	<b>\$ (0.15)</b>	<b>\$ (0.12)</b>	<b>\$ (0.55)</b>	<b>\$ (0.27)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES USED IN CALCULATING NET LOSS PER SHARE, BASIC AND DILUTED</b>	<b>10,681,032</b>	<b>6,314,531</b>	<b>7,922,195</b>	<b>6,201,126</b>

## CLEVELAND BIOLABS, INC.

## STATEMENTS OF CASH FLOWS

Nine Months Ending September 30, 2006 and 2005 (unaudited)

	September 30 2006 (unaudited)	September 30 2005 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (4,117,684)	\$ (1,451,159)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	68,204	27,720
Noncash interest expense	9,929	11,120
Noncash salaries and consulting expense	439,684	225,944
Deferred compensation	4,852	(165,000)
Changes in operating assets and liabilities:		
Accounts receivable - trade	(76,644)	20,485
Accounts receivable - interest	(5,170)	-
Other prepaid expenses	(132,729)	6,616
Deposits	(3,055)	(4,551)
Accounts payable	308,797	(60,821)
Deferred revenue	(100,293)	-
Accrued expenses	15,596	(33,011)
Milestone payments	50,000	-
Total adjustments	579,172	28,502
Net cash used in operating activities	\$ (3,538,512)	\$ (1,422,657)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (purchase) of short-term investments	(500,000)	(1,600,000)
Purchase of equipment	(143,693)	(293,145)
Costs of patents pending	(106,059)	-
Net cash provided by (used in) investing activities	\$ (749,752)	\$ (1,893,145)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of preferred stock	-	6,000,000
Financing costs	(1,679,456)	(48,939)
Dividends	(43)	(31)
Issuance of common stock - IPO	10,200,000	-
Exercise of stock options	2,813	-
Issuance of warrants	100	-
Proceeds from convertible notes payable	-	(50,000)
Net cash provided by (used in) financing activities	8,523,413	5,901,030
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	<b>4,235,149</b>	<b>2,585,228</b>
<b>CASH AND EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,206,462</b>	<b>94,741</b>
<b>CASH AND EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 5,441,611</b>	<b>\$ 2,679,969</b>

	September 30 2006 (unaudited)	September 30 2005 (unaudited)
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 1,269	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
Supplemental schedule of noncash financing activities:		
Issuance of stock options to employees and consultants	\$ 439,684	\$ 345,144
Conversion of notes payable and accrued interest to common stock	\$ 313,003	-
Conversion of preferred stock to common stock	\$ 5,308,142	-
Issuance of common stock dividend to preferred shareholders	\$ 368,366	\$ 138,402
Common stock issued as financing fees on issuance of preferred shares	\$ -	\$ 589,662
Conversion of notes payable and accrued interest to preferred stock	\$ -	\$ 102,438
Exercise of stock options into 59,600 common shares by consultant	\$ -	\$ 119,200



## CLEVELAND BIOLABS, INC

## STATEMENTS OF STOCKHOLDERS' EQUITY

Period From January 1, 2005 to December 31, 2005 and to September 30, 2006 (unaudited)

	Common Stock			
	Shares	Amount	Additional Paid-in Capital	Penalty Shares
Balance at January 1, 2005	5,960,000	29,800	2,255,954	-
Issuance of shares - Series A financing	308,000	1,540	588,122	-
Issuance of shares - stock dividend	69,201	346	138,056	-
Issuance of options (383,840 options issued, 324,240 outstanding)			318,111	
Exercise of options (59,600 options exercised)	59,600	298	118,902	-
Unrealized loss on investments			-	-
Accrue unissued shares	-	-	(81,125)	81,125
Net loss	-	-	-	-
Balance at December 31, 2005	6,396,801	31,984	3,338,020	81,125
Issuance of shares - previously accrued penalty shares (unaudited)	54,060	270	80,855	(81,125)
Issuance of shares - stock dividend (unaudited)	184,183	922	367,445	-
Issue penalty shares (unaudited)	15,295	76	(76)	-
Issuance of shares - initial public offering (unaudited)	1,700,000	8,500	10,191,500	
Fees associated with initial public offering (unaudited)			(1,890,444)	
Conversion of preferred stock to common stock (unaudited)	3,351,219	16,756	5,291,385	
Conversion of notes payable to common stock (unaudited)	124,206	621	312,382	
Issuance of options (unaudited)	-	-	439,684	-
Exercise of options (unaudited)	625	3	2,810	
Issuance of warrants (unaudited)			100	
Unrealized gain/(loss) on investments (unaudited)	-	-	-	-
Net loss (unaudited)	-	-	-	-
Balance at September 30, 2006 (unaudited)	11,826,389	\$ 59,132	\$ 18,133,661	\$ -

## CLEVELAND BIOLABS, INC.

## STATEMENTS OF STOCKHOLDERS' EQUITY

Period From January 1, 2005 to December 31, 2005 and to September 30, 2006 (unaudited)

	Shares	Preferred Stock Amount	Additional Paid-in Capital	Penalty Shares	Other Comprehensive Loss	Accumulated Deficit	Total
Balance at January 1, 2005	-	-	-	-	-	(2,659,968)	(374,214)
Issuance of shares - Series A financing	3,051,219	15,256	5,292,885	-	-	-	5,897,803
Issuance of shares - stock dividend	-	-	-	-	-	(138,433)	(31)
Issuance of options (383,840 options issued, 324,240 outstanding)	-	-	-	-	-	-	318,111
Exercise of options (59,600 options exercised)	-	-	-	-	-	-	119,200
Unrealized loss on investments	-	-	-	-	(17,810)	-	(17,810)
Accrue unissued shares	-	-	(360,000)	360,000	-	-	-
Net loss	-	-	-	-	-	(2,386,455)	(2,386,455)
Balance at December 31, 2005	3,051,219	15,256	4,932,885	360,000	(17,810)	(5,184,856)	3,556,604
Issuance of shares - previously accrued penalty shares (unaudited)	240,000	1,200	358,800	(360,000)	-	-	-
Issuance of shares - stock dividend (unaudited)	-	-	-	-	-	(368,410)	(43)
Issue penalty shares (unaudited)	60,000	300	(300)	-	-	-	-
Issuance of shares - initial public offering (unaudited)	-	-	-	-	-	-	10,200,000
Fees associated with initial public offering (unaudited)	-	-	-	-	-	-	(1,890,444)
Conversion of preferred stock to common stock (unaudited)	(3,351,219)	(16,756)	(5,291,385)	-	-	-	-

Conversion of notes payable to common stock (unaudited)							313,003
Compensation for stock options (unaudited)	-	-	-	-	-	-	439,684
Exercise of stock options (unaudited)	-	-	-	-	-	-	2,813
Issuance of warrants (unaudited)	-	-	-	-	-	-	100
Unrealized gain/(loss) on investments (unaudited)	-	-	-	-	10,257	-	10,257
Net loss (unaudited)	-	-	-	-	-	(4,117,684)	(4,117,684)
Balance at September 30, 2006 (unaudited)	- \$	- \$	- \$	- \$	(7,553)\$	(9,670,950)\$	8,514,290

**CLEVELAND BIOLABS, INC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

- A. Basis of Presentation - The information at September 30, 2006 and September 30, 2005, and for the three and nine-month periods ended September 30, 2006 and September 30, 2005, is unaudited. In the opinion of management, these financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. These financial statements should be read in conjunction with Cleveland BioLabs, Inc.'s ("CBL" or the "Company") audited financial statements for the year ended December 31, 2005, which was contained in the Company's Form SB-2 registration statement filed with the United States Securities and Exchange Commission.
- B. Use of Estimates - The preparation of the unaudited financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under these circumstances. Actual results could differ from those estimates.
- C. Equipment - Equipment is stated at cost and depreciated over the estimated useful lives of the assets (generally five years) using the straight-line method. Leasehold improvements are depreciated on the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Major expenditures for renewals and betterments are capitalized and depreciated. Depreciation expense was \$24,514 and \$16,055 for the quarters ended September 30, 2006 and 2005, respectively. Depreciation expense was \$68,206 and \$27,720 for the nine months ended September 30, 2006 and 2005, respectively.