CLEVELAND BIOLABS INC
Form 424B3
August 13, 2008

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-143755

Prospectus Supplement No. 7
(to Prospectus dated December 10, 2007)

CLEVELAND BIOLABS, INC.
5,514,999 Shares

This Prospectus Supplement No. 7 supplements and amends the prospectus dated December 10, 2007 (the "Prospectus") relating to the offer and sale of up to 5,514,999 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. 7 includes the attached Form 10-Q of Cleveland BioLabs, Inc. dated August 12, 2008, as filed by us with the Securities and Exchange Commission.

This Prospectus Supplement No. 7 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 Any information that is modified or superseded in the Prospectus shall not be deemed to constitute a part of the Prospectus, except as modified or superseded by this Prospectus Supplement No. 7. 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. 7 is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 7 is August 13, 2008.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number 001-32954

CLEVELAND BIOLABS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**20-0077155**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
73 High Street, Buffalo, New York	**14203**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **(716) 849-6810**

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of August 12, 2008, there were 13,605,806 shares outstanding of registrant's common stock, par value $0.005 per share.

CLEVELAND BIOLABS INC
10-Q
8/12/2008

TABLE OF CONTENTS

In this report, “Cleveland BioLabs,” “CBLI,” “we,” “us” and “our” refer to Cleveland BioLabs, Inc. Our common stock, par value $0.005 per share is referred to as “common stock.”

2

CLEVELAND BIOLABS, INC.

BALANCE SHEETS

June 30, 2008 (unaudited) and December 31, 2007

ASSETS	June 30 2008 (unaudited)	December 31 2007
CURRENT ASSETS		
Cash and equivalents	$ 6,252,471	$ 14,212,189
Short-term investments	1,000,000	1,000,000
Accounts receivable:		
Trade	912,980	163,402
Interest	38,016	50,042
Other prepaid expenses	306,223	325,626
Total current assets	8,509,690	15,751,259
EQUIPMENT		
Computer equipment	279,136	258,089
Lab equipment	1,073,705	966,517
Furniture	274,903	274,903
	1,627,744	1,499,509
Less accumulated depreciation	470,554	313,489
	1,157,190	1,186,020
OTHER ASSETS		
Intellectual property	679,083	459,102
Deposits	26,327	25,445
	705,410	484,547
TOTAL ASSETS	$ 10,372,290	$ 17,421,826

CLEVELAND BIOLABS, INC.

BALANCE SHEETS

June 30, 2008 (unaudited) and December 31, 2007

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30 2008 (unaudited)	December 31 2007
CURRENT LIABILITIES		
Accounts payable	$ 588,306	$ 710,729
Milestone payable	50,000	—
Deferred revenue	2,515,898	1,670,610
Dividends payable	305,251	396,469
Accrued expenses	301,870	449,774
Total current liabilities	3,761,325	3,227,582
STOCKHOLDERS' EQUITY		
Series B convertible preferred stock, $.005 par value		
Authorized - 10,000,000 shares at June 30, 2008 and December 31, 2007		
Issued and outstanding 3,315,973 and 3,870,267 shares at June 30, 2008 and December 31, 2007, respectively	16,580	19,351
Additional paid-in capital	20,894,414	24,383,695
Common stock, $.005 par value		
Authorized - 40,000,000 shares at June 30, 2008 and December 31, 2007		
Issued and outstanding 13,575,146 and 12,899,241 shares at June 30, 2008 and December 31, 2007, respectively	67,876	64,496
Additional paid-in capital	35,028,355	30,764,914
Accumulated other comprehensive income (loss)	—	—
Accumulated deficit	(49,396,260)	(41,038,212)
Total stockholders' equity	6,610,965	14,194,244
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,372,290	$ 17,421,826

CLEVELAND BIOLABS, INC.

STATEMENT OF OPERATIONS

Three Months and Six Months Ending June 30, 2008 and 2007 (unaudited)

	Three Months Ended		Six Months Ended	
	June 30 2008 (unaudited)	June 30 2007 (unaudited)	June 30 2008 (unaudited)	June 30 2007 (unaudited)
REVENUES				
Grant and contract	$ 674,376	$ 516,007	$ 1,230,700	$ 787,453
Service	—	120,000	120,000	170,000
	674,376	636,007	1,350,700	957,453
OPERATING EXPENSES				
Research and development	2,682,703	3,966,711	6,234,089	7,557,726
Selling, general and administrative	1,992,536	4,782,257	3,185,650	5,776,577
Total operating expenses	4,675,239	8,748,968	9,419,739	13,334,303
LOSS FROM OPERATIONS	(4,000,863)	(8,112,961)	(8,069,039)	(12,376,850)
OTHER INCOME				
Interest income	50,016	359,651	195,143	456,080
Buffalo relocation reimbursement	220,000	—	220,000	—
Sublease revenue	2,657	—	5,313	—
Gain on disposal of fixed assets	—	—	1,394	—
Gain on investment	—	—	3,292	—
Total other income	272,673	359,651	425,142	456,080
OTHER EXPENSE				
Corporate relocation	79,361	—	133,705	—
Interest expense	—	—	—	1,087
Total other expense	79,361	—	133,705	1,087
NET LOSS	$ (3,807,551)	$ (7,753,310)	$ (7,777,602)	$ (11,921,857)
DIVIDENDS ON CONVERTIBLE PREFERRED STOCK	(264,160)	—	(580,446)	—
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (4,071,711)	$ (7,753,310)	$ (8,358,048)	$ (11,921,857)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS PER SHARE OF COMMON STOCK - BASIC AND DILUTED	$ (0.30)	$ (0.64)	$ (0.63)	$ (1.00)

WEIGHTED AVERAGE NUMBER OF SHARES USED IN CALCULATING NET LOSS PER SHARE, BASIC AND DILUTED	13,491,493	12,024,549	13,318,744	11,939,759

5

CLEVELAND BIOLABS, INC.

STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2008 and 2007 (unaudited)

	June 30 2008 (unaudited)	June 30 2007 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (7,777,602)	$ (11,921,857)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	157,066	61,681
Noncash salaries and consulting expense	770,931	3,891,458
Changes in operating assets and liabilities:		
Accounts receivable - trade	(749,578)	(509,454)
Accounts receivable - interest	12,026	(229,014)
Other prepaid expenses	19,403	(98,250)
Deposits	(881)	(1,422)
Accounts payable	(122,423)	507,024
Deferred revenue	845,288	2,000,000
Accrued expenses	(147,904)	163,440
Milestone payments	50,000	200,000
Total adjustments	833,928	5,985,463
Net cash (used in) provided by operating activities	(6,943,674)	(5,936,394)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of short-term investments	—	2,000,000
Purchase of short-term investments	—	(17,999,965)
Issuance of notes receivable	—	(250,000)
Purchase of equipment	(128,236)	(195,679)
Costs of patents pending	(219,980)	(119,038)
Net cash (used in) provided by investing activities	(348,216)	(16,564,682)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of preferred stock	—	30,020,984
Financing costs	—	(1,152,857)
Dividends	(671,664)	—
Issuance of common stock	—	158,616
Exercise of stock options	3,836	—
Net cash (used in) provided by financing activities	(667,828)	29,026,743
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(7,959,718)	6,525,667
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	14,212,189	3,061,993
CASH AND EQUIVALENTS AT END OF PERIOD	$ 6,252,471	$ 9,587,660

Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$	—	$	—
Cash paid during the year for income taxes	$	—		
Supplemental schedule of noncash financing activities:				
Conversion of preferred stock to common stock	$	3,492,052	$	—
Issuance of stock options to employees, consultants, and independent board members	$	1,573,632	$	2,350,158
Expense recapture of expense for options expensed in 2007 but issued in 2008	$	1,459,425	$	—
Issuance of shares to consultants and employees	$	563,200	$	1,541,300
Accrual of preferred stock dividends	$	305,251	$	—
Amortization of restricted shares issued to employees and consultants	$	93,525	$	—

CLEVELAND BIOLABS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Period From January 1, 2007 to December 31, 2007 and to
June 30, 2008 (unaudited)

	Stockholders' Equity Common Stock Shares	Paid-in Amount	Additional Capital
Balance at January 1, 2007	11,826,389	$ 59,132	$ 18,314,097
Issuance of options	—	—	3,401,499
Options to be issued in 2008	—	—	2,687,355
Issuance of shares - Series B financing	—	—	—
Fees associated with Series B Preferred offering	—	—	—
Issuance of restricted shares	190,000	950	1,699,500
Exercise of options	126,046	630	110,650
Exercise of warrants	48,063	240	90,275
Conversion of Series B Preferred Shares to Common	708,743	3,544	4,461,537
Dividends on Series B Preferred shares	—	—	—
Net Loss	—	—	—
Other comprehensive income			
Unrealized gains (losses) on short term investments			
Changes in unrealized holding gains (losses) arising during period	—	—	—
Less reclassification adjustment for (gains) losses included in net loss	—	—	—
Comprehensive loss			
Balance at December 31, 2007	12,899,241	$ 64,496	$ 30,764,914
Issuance of options	—	—	1,573,633
Partial recapture of expense for options expensed in 2007 but issued in 2008	—	—	(1,459,425)
Issuance of restricted shares	115,000	575	562,625

Amortization of restricted shares	—		—		93,525
Exercise of options	6,611		33		3,803
Conversion of Series B Preferred Shares to Common	554,294		2,771		3,489,281
Dividends on Series B Preferred shares	—		—		—
Net Loss	—		—		—
Other comprehensive income					
Unrealized gains (losses) on short term investments					
Changes in unrealized holding gains (losses) arising during period	—		—		—
Less reclassification adjustment for (gains) losses included in net loss	—		—		—
Comprehensive loss					
Balance at June 30, 2008	13,575,146	$	67,876	$	35,028,355

CLEVELAND BIOLABS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS
Period From January 1, 2007 to December 31, 2007 and to
June 30, 2008 (unaudited)

	Stockholders' Equity Preferred Stock Shares	Amount	Additional Paid-in Capital
Balance at January 1, 2007	—	$ —	$ —
Issuance of options	—	—	—
Options to be issued in 2008	—	—	—
Issuance of shares - Series B financing	4,579,010	22,895	32,030,175
Fees associated with Series B Preferred offering	—	—	(3,184,943)
Issuance of restricted shares	—	—	—
Exercise of options	—	—	—
Exercise of warrants	—	—	—
Conversion of Series B Preferred Shares to Common	(708,743)	(3,544)	(4,461,537)
Dividends on Series B Preferred shares	—	—	—
Net Loss	—	—	—
Other comprehensive income			
Unrealized gains (losses) on short term investments			
Changes in unrealized holding gains (losses) arising during period	—	—	—
Less reclassification adjustment for (gains) losses included in net loss	—	—	—
Comprehensive loss			
Balance at December 31, 2007	3,870,267	$ 19,351	$ 24,383,695
Issuance of options	—	—	—
Partial recapture of expense for options expensed in 2007 but issued in 2008	—	—	—
Issuance of restricted shares	—	—	—

Amortization of restricted shares	—		—		—	
Exercise of options	—		—		—	
Conversion of Series B Preferred Shares to Common	(554,294)		(2,771)		(3,489,281)	
Dividends on Series B Preferred shares	—		—		—	
Net Loss	—		—		—	
Other comprehensive income						
Unrealized gains (losses) on short term investments						
Changes in unrealized holding gains (losses) arising during period	—		—		—	
Less reclassification adjustment for (gains) losses included in net loss	—		—		—	
Comprehensive loss						
Balance at June 30, 2008	3,315,973	$	16,580	$	20,894,414	

8

CLEVELAND BIOLABS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Period From January 1, 2007 to December 31, 2007 and to
June 30, 2008 (unaudited)

	Stockholders' Equity			
	Other Comprehensive Income/(Loss)	Accumulated Deficit	Total	Comprehensive Income (Loss)
Balance at January 1, 2007	$ (4,165)	$ (12,775,910)	$ 5,593,154	
Issuance of options	—	—	3,401,499	
Options to be issued in 2008	—	—	2,687,355	
Issuance of shares - Series B financing	—	—	32,053,070	
Fees associated with Series B Preferred offering	—	—	(3,184,943)	
Issuance of restricted shares	—	—	1,700,450	
Exercise of options	—	—	111,280	
Exercise of warrants	—	—	90,515	
Conversion of Series B Preferred Shares to Common	—	—	—	
Dividends on Series B Preferred shares	—	(1,265,800)	(1,265,800)	
Net Loss	—	(26,996,502)	(26,996,502)	(26,996,502)
Other comprehensive income				
Unrealized gains (losses) on short term investments				
Changes in unrealized holding gains (losses) arising during period	—	—	—	$ —
Less reclassification adjustment for (gains) losses included in net loss	4,165	—	4,165	$ 4,165
Comprehensive loss				$ (26,992,337)
Balance at December 31, 2007	$ —	$ (41,038,212)	$ 14,194,244	

Issuance of options	—	—	1,573,633	
Partial recapture of expense for options expensed in 2007 but issued in 2008	—	—	(1,459,425)	
Issuance of restricted shares	—	—	563,200	
Amortization of restricted shares	—	—	93,525	
Exercise of options	—	—	3,836	
Conversion of Series B Preferred Shares to Common	—	—	—	
Dividends on Series B Preferred shares	—	(580,446)	(580,446)	
Net Loss	—	(7,777,602)	(7,777,602)	(7,777,602)
Other comprehensive income				
Unrealized gains (losses) on short term investments				
Changes in unrealized holding gains (losses) arising during period	—	—	—	$ —
Less reclassification adjustment for (gains) losses included in net loss	—	—	—	$ —
Comprehensive loss				$ (7,777,602)
Balance at June 30, 2008	$ —	$ (49,396,260)	$ 6,610,965	

9

CLEVELAND BIOLABS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization

Cleveland BioLabs, Inc. ("CBLI" or the "Company") is engaged in the discovery, development and commercialization of products for cancer treatment and protection of normal tissues from radiation and other stresses. The Company was incorporated under the laws of the State of Delaware on June 5, 2003 and is headquartered in Buffalo, New York. The Company's initial technological development efforts are intended to be used as powerful antidotes with a broad spectrum of applications including protection from cancer treatment side effects, radiation and hypoxia. A significant discovery found that one of its compounds increases the number of progenitor (originator) stem cells in mouse bone marrow. To date, the Company has not developed any commercial products. The Company has developed and produced biological compounds under a single commercial development contract.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation - The information at June 30, 2008 and June 30, 2007, and for the quarter and six-months ended June 30, 2008 and June 30, 2007, 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 CBLI's audited financial statements for the year ended December 31, 2007, which were contained in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

B. Cash and Equivalents - The Company considers highly liquid investments with a maturity date of three months or less to be cash equivalents. In addition, the Company maintains cash and equivalents at financial institutions, which may exceed federally insured amounts at times and which may, at times, significantly exceed balance sheet amounts due to outstanding checks.

C. Marketable Securities and Short Term Investments - The Company considers investments with a maturity date of more than three months to be short-term investments and has classified these securities as available-for-sale. Such investments are carried at fair value, with unrealized gains and losses included as accumulated other comprehensive income (loss) in stockholders' equity. The cost of available-for-sale securities sold is determined based on the specific identification method.

D. Accounts Receivable - The Company extends unsecured credit to customers under normal trade agreements, which generally require payment within 30 days. Management estimates an allowance for doubtful accounts which is based upon management's review of delinquent accounts and an assessment of the Company's historical evidence of collections. There is no allowance for doubtful accounts as of June 30, 2008 and December 31, 2007.

E. 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 $80,256, and $34,016 for the quarters ended June 30, 2008 and 2007, respectively. Depreciation expense was $157,066 and $61,861 for the six months ended June 30, 2008 and 2007, respectively.

F.

Impairment of Long-Lived Assets - In accordance with Statements of Financial Accounting Standards, or SFAS, No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets to be held and used, including equipment and intangible assets subject to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets or related asset group may not be recoverable. Determination of recoverability is based on an estimate of discounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the asset or asset group, the carrying amount of the asset is written down to its estimated net realizable value.

G. Intellectual Property - The Company capitalizes the costs associated with the preparation, filing, and maintenance of certain intellectual property rights. Capitalized intellectual property is reviewed annually for impairment.

A portion of this intellectual property is owned by the Cleveland Clinic Foundation, or CCF, and granted to the Company through an exclusive licensing agreement. As part of the licensing agreement, CBLI agrees to bear the costs associated with the preparation, filing and maintenance of patent applications relating to this intellectual property. If the patent application is approved, the costs paid by the Company are amortized on a straight-line basis over the shorter of 17 years or the anticipated useful life of the patent. If the patent application is not approved, the costs associated with the preparation, filing and maintenance of the patent application by the Company on behalf of CCF will be expensed as part of selling, general and administrative expenses. Gross capitalized patents pending costs were $614,082 and $407,425 for these 13 patent applications as of June 30, 2008 and December 31, 2007, respectively. All of the CCF patent applications are still pending approval.

The Company also has submitted four patent applications as a result of intellectual property exclusively developed and owned by the Company. If the patent applications are approved, costs paid by the Company associated with the preparation, filing, and maintenance of the patents will be amortized on a straight-line basis over the shorter of 17 years or the anticipated useful life of the patent. If the patent application is not approved, the costs associated with the preparation, filing and maintenance of the patent application will be expensed as part of selling, general and administrative expenses at that time. Gross capitalized patents pending costs were $65,001 and $51,677 for these four patent applications as of June 30, 2008 and December 31, 2007, respectively. The patent applications are still pending approval.

H. Line of Credit - The Company has a working capital line of credit that is fully secured by short-term investments. This fully-secured, working capital line of credit carries an interest rate of prime minus 1%, a borrowing limit of $1,000,000, and expires on September 25, 2008. At June 30, 2008, there were no outstanding borrowings under this credit facility.

I. Fair Value of Financial Instruments - Financial instruments, including cash and equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities, are carried at net realizable value.

In September 2006, The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities and expands disclosure with respect to fair value measurements. This statement was originally effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP157-2 which allows companies to elect a one-year deferral of adoption of SFAS No. 157 for non-recurring assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. The Company has adopted SFAS No. 157 as of January 1, 2008.

SFAS No. 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring a company to develop its own assumptions. The Company does not have any significant assets or liabilities measured at fair value using Level 1 or Level 3 inputs as of June 30, 2008.

J. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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.

K. Revenue Recognition - The Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104, “Revenue Recognition”, or SAB 104, and Statement of Financial Accounting Standards No. 116, or SFAS 116. Revenue sources consist of government grants, government contracts and commercial development contracts.

Revenues from government grants and contracts are for research and development purposes and are recognized in accordance with the terms of the award and the government agency per SAB 104. Grant revenue is recognized in one of two different ways depending on the grant. Cost reimbursement grants require us to submit proof of costs incurred that are invoiced by us to the government agency, which then pays the invoice. In this case, grant revenue is recognized at the time of submitting the invoice to the government agency. Fixed cost grants require no proof of costs and are paid as a request for payment is submitted for expenses. The grant revenue under these fixed costs grants is recognized using a percentage-of-completion method, which uses assumptions and estimates. These assumptions and estimates are developed in coordination with the principal investigator performing the work under the government fixed-cost grants to determine key milestones, expenses incurred, and deliverables to perform a percentage-of-completion analysis to ensure that revenue is appropriately recognized. Critical estimates involved in this process include total costs incurred and anticipated to be incurred during the remaining life of the grant.

Government contract revenue is recognized periodically upon delivery of an invoice for allowable R&D expenses according to the terms of the contract. The Company has recognized grant revenue from the following agencies: the Department of Defense (DoD), the Defense Threat Reduction Agency (DTRA), the U.S. Army (DARPA), National Aeronautics and Space Administration (NASA), the National Institutes of Health (NIH) and the Department of Health and Human Services (HHS).

The Company recognizes revenue related to the funds received in 2007 from the State of New York under the sponsored research agreement with the Roswell Park Cancer Institute (RPCI) in accordance with SFAS 116. The principles of SFAS 116 result in the recognition of revenue as allowable costs are incurred. The Company recognizes revenue on research laboratory services and the purchase and subsequent use of related equipment. The amount paid as a payment toward future services related to the equipment is recognized as a prepaid asset and will be recognized as revenue as the services are performed and the prepaid asset is recognized as expense.

Commercial development revenues are recognized when the service or development is delivered.

L. Deferred Revenue - Deferred revenue results when payment is received in advance of revenue being earned. The Company makes a determination as to whether the revenue has been earned by applying a percentage-of-completion analysis to compute the need to recognize deferred revenue. The percentage of completion method is based upon (1) the total income projected for the project at the time of completion and (2) the expenses incurred to date. The percentage-of-completion can be measured using the proportion of costs incurred versus the total estimated cost to complete the contract.

The Company received $2,000,000 in funds from the State of New York through the Roswell Park Cancer Institute during the second quarter of 2007. The Company received an additional $1,000,000 in funds from the State of New York through the Roswell Park Cancer Institute during the second quarter of 2008. The Company is recognizing this revenue over the terms and conditions of the sponsored research agreement. The Company recognizes revenue on research laboratory services and the purchase and subsequent use of related equipment. The amount paid as a payment toward future services related to the equipment is recognized as a prepaid asset and will be recognized as revenue as the services are performed and the prepaid asset is recognized as expense. For the six-months ended June 30, 2008, the Company recognized $154,711 as revenue resulting in a balance of deferred revenue of $2,515,898 at June 30, 2008. At December 31, 2007, the balance in deferred revenue was $1,670,610.

M. Research and Development - Research and development expenses consist primarily of costs associated with salaries and related expenses for personnel, costs of materials used in R&D, costs of facilities and costs incurred in connection with third-party collaboration efforts. Expenditures relating to research and development are expensed as incurred.

N.

2006 Equity Incentive Plan - On May 26, 2006, the Company's Board of Directors adopted the 2006 Equity Incentive Plan (“Plan”) 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. The Plan expires on May 26, 2016 and the aggregate number of shares of stock which may be delivered under the Plan shall not exceed 2,000,000 shares. On February 14, 2007, these 2,000,000 shares were registered with the SEC by filing a Form S-8 registration statement. On April 29, 2008, the stockholders of the Company approved an amendment and restatement of the Plan (the “Amended Plan”). The Amended Plan increases the number of shares available for issuance by an additional 2,000,000 shares, clarifies other aspects of the 2006 Plan, and contains updates that reflect changes and developments in federal tax laws. For the quarter ended June 30, 2008, there were 194,976 stock options and 25,000 shares granted under the Amended Plan, and as of June 30, 2008 there were 1,619,924 stock options and 335,000 shares granted under the Amended Plan leaving 2,045,076 shares of stock to be awarded under the Amended Plan.

O. Stock-Based Compensation - The FASB issued SFAS No. 123(R) (revised December 2004), Share Based Payment, which is a revision of SFAS No. 123 Accounting for Stock-Based Compensation. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. The Company values employee stock-based compensation under the provisions of SFAS 123(R) and related interpretations.

The fair value of each stock option granted is estimated on the grant date. The Black Scholes model is used for standard stock options, but if market conditions are present within the stock options, the Company utilizes Monte Carlo simulation to value the stock options. The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect the Company's experience. The Company uses a risk-free rate published by the St. Louis Federal Reserve at the time of the option grant, assumes a forfeiture rate of zero, assumes an expected dividend yield rate of zero based on the Company's intent not to issue a dividend in the foreseeable future, uses an expected life based on the safe harbor method, and computes an expected volatility based on similar high-growth, publicly-traded, biotechnology companies. In 2008, the Company began to include the use of its own stock in the volatility calculation and is layering in the volatility of the stock of the Company with that of comparable companies since there is not an adequate trading history to rely solely on the volatility of the Company. The Company recognizes the fair value of stock-based compensation in net income on a straight-line basis over the requisite service period.

The assumptions used to value these option and warrant grants using the Black-Scholes option valuation model are as follows:

	2008 YTD	2007
Risk-free interest rate	2.61-3.58%	3.38-5.11%
Expected dividend yield	0%	0%
Expected life	5-6 years	2.74-6 years
Expected volatility	64.31-80.25%	71.86-76.29%

During the quarter ended June 30, 2008, the Company granted 194,976 additional stock options pursuant to stock award agreements. The Company recognized a total of $845,555 in expense related to stock options for the quarter ended June 30, 2008. During the quarter ended June 30, 2007, the Company granted 405,500 stock options pursuant to stock award agreements to certain employees and key consultants and recognized a total of $1,974,858 in expense related to options.

During the six-months ended June 30, 2008, the Company granted 914,924 additional stock options pursuant to stock award agreements. The Company recognized a total of $1,573,632 in expense related to stock options for the six-months ended June 30, 2008. The Company also recaptured $1,459,425 of previously recognized expense due to the stock options awarded under the 2007 Executive Compensation Plan. These options were originally expensed based on the December 31, 2007 variables, but were not issued until February 4, 2008. The change in dates resulted in a difference in valuation assumptions used in the Black-Scholes model causing a reduction in the grant date fair value. This reduction in the grant date fair value from $5.34 to $2.44 per share resulted in the recapture of $1,459,425 in expense and a net expense for options for the six-months ended June 30, 2008 of $114,207.

During the six-months ended June 30, 2007, the Company granted 525,000 stock options pursuant to stock award agreements and expensed $2,350,158 related to stock options.

The weighted average, estimated grant date fair values of stock options granted during the quarters ended June 30, 2008 and 2007 was $3.26 and $5.95, respectively.

The following tables summarize the stock option activity for the six-months ended June 30, 2008 and June 30, 2007, respectively.

	Shares		Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in Years)
Outstanding, December 31, 2007	1,011,740	$	7.29	
Granted	914,924	$	4.93	
Exercised	11,874	$	1.75	
Forfeited, Canceled	0		n/a	
Outstanding, June 30, 2008	1,914,790	$	6.20	8.94
Exercisable, June 30, 2008	1,559,503	$	5.44	8.91

	Shares		Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in Years)
Outstanding, December 31, 2006	483,490	$	2.17	
Granted	525,000	$	9.79	
Exercised	69,000	$	1.28	
Forfeited, Canceled	0		n/a	
Outstanding, June 30, 2007	939,490	$	6.50	9.02
Exercisable, June 30, 2007	637,680	$	6.02	9.03

The Company also recognized $42,200 in expense for shares issued under the Plan to a consultant during the quarter ended June 30, 2008. In addition, the Company recognized $76,007 in consulting expense related to the amortization of restricted shares.

For the six-months ended June 30, 2008, the Company recognized a total of $563,200 in expense for shares issued under the Plan and a total of $93,525 in expense related to the amortization of restricted shares. For the six-months ended June 30, 2007 the Company recognized a total of $1,541,300 in expense for shares issued under the Plan to various consultants.

P. Net Loss Per Share - Basic and diluted net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period.

The following table presents the calculation of basic and diluted net loss per share for the three and six-months ended June 30, 2008 and 2007:

14

	Quarter Ended June 30, 2008	Quarter Ended June 30, 2007	Six-Months Ended June 30, 2008	Six-Months Ended June 30, 2007
Net loss available to common stockholders	$ (4,071,711)	$ (7,753,310)	$ (8,358,048)	$ (11,921,857)
Net loss per share, basic and diluted	$ (0.30)	$ (0.64)	$ (0.63)	$ (1.00)
Weighted-average shares used in computing net loss per share, basic and diluted	13,491,493	12,024,549	13,318,744	11,939,759

The Company has excluded all outstanding warrants and options from the calculation of diluted net loss per share because all such securities are antidilutive for all applicable periods presented.

The total number of shares excluded from the calculations of diluted net loss per share, prior to application of the treasury stock method for *warrants*, was 3,453,268 and 3,456,768 for the periods ended June 30, 2008 and 2007, respectively. Such securities, had they been dilutive, would have been included in the computation of diluted earnings per share.

The total number of shares excluded from the calculations of diluted net loss per share, prior to the application of the treasury stock method for *options*, was 1,914,790 and 939,490 for the periods ended June 30, 2008 and 2007, respectively. Such securities, had they been dilutive, would have been included in the computation of diluted earnings per share.

Q. Concentrations of Risk - Grant revenue was comprised wholly from grants and contracts issued by the federal and NY state government and accounted for 100.0% and 81.1% of total revenue for the quarter ended June 30, 2008 and 2007, respectively. Grant revenue accounted for 91.1% and 82.2% for the six months ended June 30, 2008 and 2007, respectively. Although the Company anticipates ongoing federal grant and contract revenue, there is no guarantee that this revenue stream will continue in the future.

Financial instruments that potentially subject us to a significant concentration of credit risk consist primarily of cash and cash equivalents and securities available-for-sale. The Company maintains deposits in federally insured institutions in excess of federally insured limits. The Company does not believe it is exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. Additionally, the Company has established guidelines regarding diversification of its investment portfolio and maturities of investments, which are designed to meet safety and liquidity.

R. Foreign Currency Exchange Rate Risk - The Company has entered into a manufacturing agreement to produce one of its drug compounds and into an agreement for assay development and validation with foreign third parties and is required to make payments in the foreign currency. As a result, the Company's financial results could be affected by changes in foreign currency exchange rates. Currently, the Company's exposure primarily exists with the Euro and the Great British Pound, or GBP. As of June 30, 2008, the Company is obligated to make payments under the agreements of 49,250 Euros and 144,323 GBP. The Company has established means to purchase forward contracts to hedge against this risk. As of June 30, 2008, the Company has not purchased any forward contracts for Euros or GBP.

S. Comprehensive Income/(Loss) - The Company applies Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires disclosure of all components of comprehensive income on an annual and interim basis. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources.

Note 3. Stock Transactions

On February 1, 2006, the Company paid a common stock dividend of 91,776 shares to holders of the Series A preferred stock to satisfy the dividend requirement of the preferred stock issuance.

On March 1, 2006, the Company issued 116,750 stock options to various employees and consultants of the Company under non-qualified stock option agreements. These options allow for the purchase of 116,750 shares of common stock at a price of $4.50. These options have a three-year vesting schedule and expire on February 29, 2016.

On June 21, 2006, after the expiration of the 115-day extension and an additional 30-day period, the Company incurred one additional penalty period in which 60,000 shares of Series A preferred stock were earned at $120,000 and 15,295 shares of common stock were earned at $30,590. The Company has not incurred any further obligation to issue penalty shares since these issuances.

On July 20, 2006, the Company sold 1,700,000 shares of common stock in its initial public offering at $6.00 per share. The net proceeds to the Company from this offering were approximately $8,300,000. Beginning July 21, 2006, the Company's shares were quoted on the NASDAQ Capital Market and listed on the Boston Stock Exchange under the symbols "CBLI" and "CFB" respectively. On August 28, 2007, trading of the Company's common stock moved from the NASDAQ Capital Market to the NASDAQ Global Market. In September 2007, we ceased our listing on the Boston Stock Exchange. In connection with its initial public offering, the Company sold warrants to purchase 170,000 shares of common stock to the underwriters and their designees at a cost of $100.00. The warrants have an exercise price of $8.70 per share.

On July 20, 2006, the effective date of the Company's initial public offering, the Company issued 92,407 shares of common stock as accumulated dividends to the Series A preferred stockholders. On the same date, all of the Company's Series A Preferred shares automatically converted on a one-for-one basis into 3,351,219 shares of common stock and notes of the Company in the principal amount of $283,500 plus accrued interest of $29,503 automatically converted into 124,206 shares of common stock. In connection with their appointment to the Board, the Company issued to each of the Company's three new independent directors, options to purchase 15,000 shares of common stock with an exercise price of $6.00 per share.

On September 21, 2006, the SEC declared effective a registration statement of the Company registering up to 4,453,601 shares of common stock for resale from time to time by the selling stockholders named in the prospectus contained in the registration statement. The Company will not receive any proceeds from the sale of the underlying shares of common stock, although to the extent the selling stockholders exercise warrants for the underlying shares of common stock, the Company will receive the exercise price of those warrants. The registration statement was filed to satisfy registration rights that the Company had previously granted.

On November 16, 2006 the Company issued 50,000 warrants to an outside consultant. These warrants are immediately exercisable into common shares of the Company and have an exercise price of $6.00 per share and an expiration date of November 16, 2011.

On February 14, 2007, the Company issued 99,500 stock options to various employees and consultants of the Company under non-qualified stock option agreements. These options allow for the purchase of 99,500 shares of common stock at a price of $9.14. These options have various vesting schedules from immediate vesting to three years and expire on February 14, 2017.

On February 26, 2007, the Company issued 55,000 warrants at an exercise price of $9.19 per share, to a placement agent as incentive for work on the private placement offering.

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

The Company also issued to the placement agents in the private placement (the Agents), as compensation for their services, Series B Preferred, Series B Warrants, and Series C Warrants. The Agents collectively received Series B Preferred that are convertible into an aggregate of 290,298 shares of common stock, Series B Warrants that are exercisable for an aggregate of 221,172 shares of the Company's common stock, and Series C Warrants that are exercisable for 267,074 shares of the Company's common stock. The Series C Warrants have an exercise price of $11.00 per share, and are also subject to anti-dilution protections that could increase the number of shares of common stock for which they are exercisable.

In total, the securities issued in the private placement will be convertible into, or exercisable for, up to approximately 7,211,612 shares of common stock, which amount is subject to adjustment in the event of certain corporate events such as stock splits or issuances of securities at a price below the conversion price of the Series B Preferred or exercise price of the warrants, as the case may be. On September 13, 2007, the Company paid $807,913 to the Series B Preferred stockholders for the semiannual dividend.

On March 19, 2007, the Company issued 20,000 stock options to members of the Scientific Advisory Board of the Company under non-qualified stock option agreements. These options are immediately exercisable and allow for the purchase of 20,000 shares of common stock at a price of $8.82. These options expire on March 18, 2017.

On April 6, 2007, the Company issued 152,500 stock options to officers and consultants under non-qualified stock option agreements. These options are immediately exercisable and allow for the purchase of 152,500 shares of common stock at a price of $8.36. These options expire on April 5, 2017. The Company also issued 115,000 shares of common stock to consultants under the Plan.

On June 12, 2007, the Company issued 140,000 stock options to four independent members of the Board of Directors of the Company under non-qualified stock option agreements. These options are immediately exercisable and allow for the purchase of 140,000 shares of common stock at a price of $9.40. These options expire on June 11, 2017.

On June 15, 2007, the Company issued 110,000 stock options to various key employees and consultants under non-qualified stock option agreements. These options have various vesting schedules including immediate vesting, up to three year vesting, and vesting upon the company stock price obtaining certain levels. These options allow for the purchase of 110,000 shares of common stock at a price ranging from $9.93 to $17.00. These options expire on June 14, 2017. The Company also issued 30,000 shares of common stock to the same consultants under the Plan.

On June 21, 2007, the Company issued 3,000 stock options to a consultant under a non-qualified stock option agreement. These options vest over a six month period and allow for the purchase of 3,000 shares of common stock at a price of $10.84. These options expire on June 20, 2017.

On June 27, 2007, the Company issued 30,000 shares of common stock to various outside consultants under the Plan.

On July 18, 2007, the Company issued 15,000 shares of common stock to an outside consultant under the Plan. On that date, the Company also issued 18,000 stock options to another consultant under a non-qualified stock option agreement. These options are immediately exercisable and allow for the purchase of 18,000 shares of common stock at a price of $10.61. These options expire on December 31, 2012.

On December 4, 2007, the Company issued 117,000 stock options to various key employees and consultants under non-qualified stock option agreements. These options have up to three year vesting. These options allow for the purchase of 117,000 shares of common stock at an exercise price of $10.00 per share. These options expire on or before December 3, 2017.

On December 11, 2007, the SEC declared effective a registration statement of the Company registering up to 5,514,999 shares of common stock for resale from time to time by the selling stockholders named in the prospectus contained in the registration statement. This number represents 5,514,999 shares of common stock issuable upon the conversion or exercise of the securities issued the Company's March 2007 private placement at the current conversion and exercise prices. Of these 5,514,999 shares of common stock, 3,717,515 shares are issuable upon conversion of Series B Preferred and 1,797,484 shares are issuable upon exercise of the Series B Warrants. The Company will not receive any proceeds from the sale of the underlying shares of common stock, although to the extent the selling stockholders exercise warrants for the underlying shares of common stock, the Company will receive the exercise price of those warrants. The registration statement was filed to satisfy registration rights that the Company had previously granted. Subsequent to the effectiveness of the registration statement, 708,743 Series B Preferred were converted and $61,418 in dividends earned were paid as of December 31, 2007. At December 31, 2007, $396,469 in dividends were accrued on the outstanding Series B Preferred.

On January 1, 2008, the Company issued 100,000 options to a recently-hired employee and 60,000 options to a key consultant of the Company under the Plan. The options vest over a period from one to three years and allow for the purchase of 160,000 shares of common stock at a price of $8.00 per share. These options expire on December 31, 2017.

On January 4, 2008, the Company issued 20,000 restricted shares of common stock. These shares vest over a three-year period with 25% vested on issuance and 25% vesting on the anniversary date of the agreement for each of the next three years.

On February 4, 2008, the Company issued options to purchase 503,250 shares of common stock under non-qualified stock option agreements to the executive management team under the 2007 Executive Compensation Plan. These options were originally expensed in 2007 at the December 31, 2007 closing price of $8.80. These options vest immediately, contain an exercise price of $4.00 per share, and expire on February 4, 2018. The Company also issued options to purchase 34,398 shares of common stock to various employees under non-qualified stock option agreements under an employee bonus program. These options vest immediately, contain an exercise price of $4.00 per share, and expire on February 3, 2018. Finally, the Company issued stock options to various key employees under non-qualified stock option agreements. These options have up to three years vesting. These options allow for the purchase of 21,300 shares of common stock at an exercise price of $4.00 per share. These options expire on February 3, 2018.

On March 12, 2008, the Company issued 1,000 stock options to a consultant under a non-qualified stock option agreement. These options vest immediately and allow for the purchase of 1,000 shares of common stock at an exercise price of $4.81 per share. These options expire on March 11, 2018.

On March 14, 2008, the Company issued 100,000 unrestricted shares of common stock to a key consultant under the Plan.

On April 8, 2008, the Company issued 40,000 stock options to three consultants under non-qualified stock option agreements. These options vest immediately and allow for the purchase of 40,000 shares of common stock at an exercise price of $4.18 per share. These options expire on April 7, 2018. On April 8, 2008, the Company also issued 25,000 restricted shares of common stock. These shares vest over a three-month period with 40% vested on issuance and 60% vesting three months from the date of the agreement.

On April 29, 2008, the Company issued 140,000 stock options to four independent members of the Board of Directors of the Company under non-qualified stock option agreements. These options vest immediately and allow for the purchase of 140,000 shares of common stock at an exercise price of $5.88 per share. These options expire on April 28, 2018.

On May 7, 2008, the Company issued 14,976 stock options to various employees under non-qualified stock option agreements. These options vest immediately and allow for the purchase of 14,976 shares of common stock at an exercise price of $5.28 per share. These options expire on May 6, 2018.

For the six-months ending June 30, 2008, Series B Preferred Shares were converted into 554,294 shares of common stock. At June 30, 2008, there were 3,315,973 outstanding Series B Preferred for which $305,251 in dividends had been accrued.

Note 4. Commitments and Contingencies

The Company has entered into various agreements with third parties and certain related parties in connection with the research and development activities of its existing product candidates as well as discovery efforts on potential new product candidates. These agreements include costs for research and development and license agreements that represent the Company's fixed obligations payable to sponsor research and minimum royalty payments for licensed patents. These amounts do not include any additional amounts that the Company may be required to pay under its license agreements upon the achievement of scientific, regulatory and commercial milestones that may become payable depending on the progress of scientific development and regulatory approvals, including milestones such as the submission of an investigational new drug application to the FDA, similar submissions to foreign regulatory authorities and the first commercial sale of the Company's products in various countries. These agreements include costs related to manufacturing, clinical trials and preclinical studies performed by third parties.

The Company is also party to three agreements that require it to make milestone payments, royalties on net sales of the Company's products and payments on sublicense income received by the Company. As of June 30, 2008, $300,000 in milestone payments have been made under one of these agreements and an additional $50,000 has been accrued under one of these agreements.

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business. The Company accrues for liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. For all periods presented, the Company is not a party to any pending material litigation or other material legal proceedings.

The Company currently has operating lease commitments in place for facilities in Buffalo, New York and Chicago, Illinois as well as office equipment. The Company recognizes rent expense on a straight-line basis over the term of the related operating leases. The operating lease expenses recognized were $83,008, and $44,334 for the quarters ended June 30, 2008 and 2007, respectively, and the operating lease expense recognized were $166,053 and $87,932 for the six months ended June 30, 2008 and 2007, respectively.

Annual future minimum lease payments under present lease commitments are as follows.

			Operating Leases
2008	Remaining Two Quarters	$	166,531
2009			349,782
2010			343,657
2011			311,803
2012			144,375
		$	1,316,148

The Company has entered into stock option agreements with key employees, board members and consultants with exercise prices ranging from $0.66 to $17.00. These awards were approved by the Company's Board of Directors. The options expire ten years from the date of grant, subject to the terms applicable in the agreement.

The following tables summarize the stock option activity for the six-months ended June 30, 2008 and 2007:

	Shares		Weighted Average Exercise Price Per Share
Outstanding, December 31, 2007	1,011,740	$	7.29
Granted	914,924	$	4.93
Exercised	11,874	$	1.75
Forfeited, Canceled	0		n/a
Outstanding, June 30, 2008	1,914,790	$	6.20

	Shares		Weighted Average Exercise Price Per Share
Outstanding, December 31, 2006	483,490	$	2.17
Granted	525,000	$	9.79
Exercised	69,000	$	1.28
Forfeited, Canceled	0		n/a
Outstanding, June 30, 2007	939,490	$	6.50

The Company has entered into warrant agreements with strategic partners, consultants and investors with exercise prices ranging from $1.13 to $11.00. These awards were approved by the Company's Board of Directors. The warrants expire between five and six years from the date of grant, subject to the terms applicable in the agreement. A list of the total warrants awarded and exercised appears below:

19

	Warrants	Weighted Average Exercise Price Per Share
Outstanding, December 31, 2007	3,453,268	$ 8.86
Granted		