

CLEVELAND BIOLABS INC
Form 10-Q
August 09, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

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
(State or other jurisdiction of
incorporation or organization)

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

73 High Street, Buffalo, New York
(Address of principal executive offices)

14203
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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

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 July 31, 2012, there were 35,864,790 shares outstanding of registrant's common stock, par value \$0.005 per share.

CLEVELAND BIOLABS INC. AND SUBSIDIARIES

10-Q

8/9/2012

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In this report, except as otherwise stated or the context otherwise requires, the terms “Cleveland BioLabs” and “CBLI” refer to Cleveland BioLabs, Inc., but not its consolidated subsidiaries and the “Company,” “we,” “us” and “our” refer to Cleveland BioLabs, Inc. together with its consolidated subsidiaries. Our common stock, par value \$0.005 per share, is referred to as “common stock.”

CLEVELAND BIOLABS, INC. AND
SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,229,680	\$ 22,872,589
Short-term investments	8,788,455	5,520,000
Accounts receivable	92,562	1,740,629
Other current assets	1,324,280	876,889
Total current assets	23,434,977	31,010,107
Equipment, net	1,163,553	1,084,204
Other long-term assets	34,739	32,490
Total assets	\$ 24,633,269	\$ 32,126,801
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 671,395	\$ 909,144
Accrued expenses	3,350,308	1,686,202
Accrued warrant liability	3,022,933	7,285,959
Current portion of capital lease obligation	66,753	-
Total current liabilities	7,111,389	9,881,305
Noncurrent portion of capital lease obligation	134,717	-
Commitments and contingencies	-	-
Total liabilities	7,246,106	9,881,305
Stockholders' equity:		
Preferred stock, \$.005 par value; 10,000,000 shares authorized, 0 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	-	-
Common stock, \$.005 par value; 80,000,000 shares authorized, 35,836,240 and 35,612,192 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	179,182	178,061
Additional paid-in capital	111,433,674	108,865,645
Accumulated other comprehensive income	125,736	84,613
Accumulated deficit	(110,533,477)	(100,067,647)
Total Cleveland BioLabs, Inc. stockholders' equity	1,205,115	9,060,672
Noncontrolling interest in stockholders' equity	16,182,048	13,184,824
Total stockholders' equity	17,387,163	22,245,496

Total liabilities and stockholders' equity	\$24,633,269	\$32,126,801
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See Notes to Consolidated Financial Statements

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CLEVELAND BIOLABS, INC. AND
SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Grants and contracts	\$ 258,237	\$ 569,049	\$ 1,189,634	\$ 3,043,031
Operating expenses:				
Research and development	6,093,275	5,209,194	12,079,076	10,918,127
General and administrative	3,326,686	1,987,451	5,754,157	3,864,653
Total operating expenses	9,419,961	7,196,645	17,833,233	14,782,780
Loss from operations	(9,161,724)	(6,627,596)	(16,643,599)	(11,739,749)
Other income (expense):				
Interest and other income	70,252	116,358	125,893	218,578
Foreign exchange gain (loss)	641,332	(174,578)	(51,084)	(195,060)
Change in value of warrant liability	2,543,270	17,815,964	4,263,026	17,101,013
Total other income (expense)	3,254,854	17,757,744	4,337,835	17,124,531
Net income (loss)	(5,906,870)	11,130,148	(12,305,764)	5,384,782
Net loss attributable to noncontrolling interests	828,186	238,076	1,839,934	484,383
Net income (loss) attributable to Cleveland BioLabs, Inc.	\$ (5,078,684)	\$ 11,368,224	\$ (10,465,830)	\$ 5,869,165
Net income (loss) available to common stockholders per share of common stock, basic	\$ (0.14)	\$ 0.38	\$ (0.29)	\$ 0.20
Net income (loss) available to common stockholders per share of common stock, diluted	\$ (0.14)	\$ 0.30	\$ (0.29)	\$ 0.16
Weighted average number of shares used in calculating net income (loss) per share, basic	35,745,675	30,033,049	35,701,619	29,574,561
Weighted average number of shares used in calculating net income (loss) per share, diluted	35,745,675	37,588,006	35,701,619	36,685,508

See Notes to Consolidated Financial Statements

CLEVELAND BIOLABS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME (LOSS)
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net income (loss) including noncontrolling interests	\$ (5,906,870)	\$ 11,130,148	\$ (12,305,764)	\$ 5,384,782
Other comprehensive income (loss)				
Foreign currency translation adjustment	(668,874)	43,344	65,764	247,443
Comprehensive income (loss) including noncontrolling interests	(6,575,744)	11,173,492	(12,240,000)	5,632,225
Comprehensive loss attributable to noncontrolling interests	1,122,633	227,591	1,815,293	428,195
Comprehensive income (loss) attributable to Cleveland BioLabs, Inc.	\$ (5,453,111)	\$ 11,401,083	\$ (10,424,707)	\$ 6,060,420

See Notes to Consolidated Financial Statements

CLEVELAND BIOLABS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ (12,305,764)	\$ 5,384,782
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	257,641	210,068
Amortization	-	13,147
Unrealized loss on short-term investments	12,801	-
Noncash compensation	1,222,552	2,107,639
Warrant issuance costs	-	150,827
Change in value of warrant liability	(4,263,026)	(17,101,013)
Changes in operating assets and liabilities:		
Accounts receivable	1,701,736	5,241,712
Other current assets	(494,131)	(211,702)
Other long-term assets	(2,592)	(16,211)
Accounts payable	(234,314)	(614,846)
Deferred revenue	-	(8,426)
Accrued expenses	1,935,580	(226,439)
Net cash used in operating activities	(12,169,517)	(5,070,462)
Cash flows from investing activities:		
Purchase of short-term investments	(4,973,524)	(213,707)
Sale of short-term investments	1,347,181	-
Purchase of equipment	(116,355)	(269,017)
Investment in patents	-	(322,545)
Net cash used in investing activities	(3,742,698)	(805,269)
Cash flows from financing activities:		
Issuance of common stock, net of offering costs	-	22,078,267
Noncontrolling interest capital contribution to Incuron, LLC	5,893,557	2,340,374
Exercise of options	1,425	522,259
Repayment of capital lease obligation	(20,221)	-
Cash warrant issuance costs and exercise fees	-	(165,914)
Exercise of warrants	-	984,241
Net cash provided by financing activities	5,874,761	25,759,227
Effect of exchange rate change on cash and equivalents	394,545	194,238
Increase (decrease) in cash and cash equivalents	(9,642,909)	20,077,734
Cash and cash equivalents at beginning of period	22,872,589	10,918,537
Cash and cash equivalents at end of period	\$ 13,229,680	\$ 30,996,271
Supplemental disclosure of cash flow information:		

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Cash paid during the period for interest	\$ 10,226	\$ -
Supplemental schedule of noncash financing activities:		
Equipment acquired through lease financing	\$ 221,690	\$ -
Conversion of warrant liability to equity upon warrant exercise	\$ -	\$ 995,428
Noncash financing costs on common stock offering	\$ -	\$ 277,206
Noncash warrant issuance costs	\$ -	\$ 19,361

See Notes to Consolidated Financial Statements

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CLEVELAND BIOLABS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF
 STOCKHOLDERS' EQUITY
 FOR THE SIX MONTHS ENDED JUNE 30, 2012
 (UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit
Balance at January 1, 2012	35,612,192	\$178,061	\$108,865,645	\$84,613	\$(100,067,800)
Stock based compensation	223,298	1,117	1,485,568	-	-
Exercise of options	750	4	1,421	-	-
Noncontrolling interest capital contribution to Incuron, LLC	-	-	1,081,040	-	-
Net loss	-	-	-	-	(10,465,800)
Foreign currency translation	-	-	-	41,123	-
Balance at June 30, 2012	35,836,240	\$179,182	\$111,433,674	\$125,736	\$(110,533,800)

See Notes to Consolidated Financial Statements

CLEVELAND BIOLABS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Description of Business

Cleveland BioLabs, Inc. (“CBLI”) is a clinical-stage biotechnology company with a focus on oncology drug development. Since inception, CBLI has pursued the research, development and commercialization of products that have the potential to treat cancer, prevent and treat acute radiation syndrome and counteract the toxic effects of radio and chemotherapies for oncology patients.

CBLI was incorporated under the laws of the State of Delaware on June 5, 2003 and is headquartered in Buffalo, New York. CBLI has two majority-owned subsidiaries, Incuron, LLC (“Incuron”) and Panacela Labs Inc. (“Panacela”), which were formed in 2010 and 2011, respectively. Additionally, Panacela has a wholly-owned subsidiary, OOO “Panacela Labs.”

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements include the accounts of CBLI and its majority-owned subsidiaries, Incuron and Panacela, collectively referred to herein as the “Company.” All significant intercompany balances and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements included herein have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC.

In the opinion of the Company’s management, any adjustments contained in the accompanying unaudited consolidated financial statements are of a normal recurring nature, and are necessary to present fairly the financial position of the Company as of June 30, 2012, results of operations for the three and six month periods ended June 30, 2012 and 2011, and cash flows for the six month periods ended June 30, 2012 and 2011. Interim results are not necessarily indicative of results that may be expected for any other interim period or for an entire year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of 90 days or less at the date of purchase and consist of time deposits and investments in money market funds with commercial banks and financial institutions. As of June 30, 2012, \$4,648,481 of the Company's cash was restricted to the use of its subsidiaries.

Short-Term Investments

The Company's short-term investments are classified as held to maturity given the intent and ability to hold the investments to maturity. Accordingly, these investments are carried at amortized cost. Short-term investments classified as held-to-maturity consisted of certificates of deposit with maturity dates beyond three months and less than one year. As of June 30, 2012, the Company's short-term investments were restricted to the use of its subsidiaries.

Significant Customers and Accounts Receivable

Grant and contract revenue from the United States government accounted for approximately 100% of total revenue for all periods presented. Although the Company anticipates ongoing federal government contract and grant revenue, there is no guarantee that this revenue stream will continue in the future.