

BODISEN BIOTECH, INC
Form 10-Q
May 14, 2010

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: March 31, 2010

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

For the transition period from _____ to _____

Commission File No. 000-31539

BODISEN BIOTECH, INC.
(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

98-0381367
(I.R.S. Employer Identification No.)

Room 2001, FanMei Building
No. 1 Naguan Zhengjie
Xi'an, Shaanxi
People's Republic of China

710068

(Address of Principal Executive Offices)

(Zip Code)

852-2482-5168
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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.

Large accelerated filer.

Accelerated filer.

Non-accelerated filer. (Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of shares outstanding of each of the issuer's classes of common stock as of May 1, 2010: 18,710,250

TABLE OF CONTENTS

| | | Page |
|----------------|--|------|
| PART I | | |
| Item 1. | Financial Statements | 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operation | 15 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 19 |
| Item 4T | Controls and Procedures | 19 |
| PART II | | |
| Item 1. | Legal Proceedings | 20 |
| Item 1A. | Risk Factors | 21 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 21 |
| Item 3. | Defaults Upon Senior Securities | 21 |
| Item 4. | (Removed and Reserved) | 21 |
| Item 5. | Other Information | 21 |
| Item 6. | Exhibits | 21 |
| SIGNATURES | | 22 |

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

| | March 31, 2010 (unaudited) | December 31, 2009 |
|--|----------------------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash & cash equivalents | \$ 4,293,375 | \$ 4,824,135 |
| Accounts receivable and other receivable, net of allowance for doubtful accounts of \$2,720,097 and \$2,751,613 | 2,158,993 | 1,791,042 |
| Other receivables | 32,364 | 26,298 |
| Inventory | 794,035 | 991,140 |
| Advances to suppliers | 976,735 | 541,754 |
| Prepaid expense and other current assets | 833,839 | 966,942 |
| Total current assets | 9,089,341 | 9,141,311 |
| PROPERTY AND EQUIPMENT, net | 11,634,551 | 11,837,406 |
| CONSTRUCTION IN PROGRESS | 10,422,641 | 10,422,641 |
| MARKETABLE SECURITY, AVAILABLE-FOR-SALE | 7,044,879 | 8,175,290 |
| INTANGIBLE ASSETS, net | 4,819,114 | 4,873,904 |
| TOTAL ASSETS | \$ 43,010,526 | \$ 44,450,552 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 93,624 | \$ 71,504 |
| Accrued expenses | 169,192 | 161,673 |
| Total current liabilities | 262,816 | 233,177 |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$0.0001 per share; authorized 5,000,000 shares; nil issued and outstanding | | |
| Common stock, \$0.0001 per share; authorized 30,000,000 shares; issued and outstanding 18,710,250 and 18,710,250 | 1,871 | 1,871 |
| Additional paid-in capital | 33,945,822 | 33,945,822 |
| Other comprehensive income | 12,342,818 | 13,473,307 |
| Statutory reserve | 4,314,488 | 4,314,488 |
| Retained Earnings | (7,857,289) | (7,518,113) |
| Total stockholders' equity | 42,747,710 | 44,217,375 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 43,010,526 | \$ 44,450,552 |

The accompanying notes are an integral part of these consolidated financial statements

BODISEN BIOTECH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE
INCOME (LOSS)

| | Three Months Ended March 31, | |
|---|------------------------------|--------------|
| | 2010 | 2009 |
| | (unaudited) | (unaudited) |
| Net Revenue | \$ 1,031,309 | \$ 1,535,035 |
| Cost of Revenue | 809,883 | 1,323,284 |
| Gross profit | 221,426 | 211,751 |
| Operating expenses | | |
| Selling expenses | 141,414 | 12,246 |
| General and administrative expenses | 421,082 | (331,032) |
| Writedown of assets | - | 11,914 |
| Total operating expenses | 562,496 | (306,872) |
| Loss from operations | (341,070) | 518,623 |
| Non-operating income (expense): | | |
| Other income (expense) | (614) | (717) |
| Interest income | 3,168 | 192 |
| Interest expense | (660) | (75) |
| Loss on the sale of investment | - | (130,247) |
| Equity income in investment | - | 159,643 |
| Total non-operating income (expense) | 1,894 | 28,796 |
| Income (loss) before provision for income taxes | (339,176) | 547,419 |
| Provision (benefit) for income taxes | - | - |
| Net income (loss) | (339,176) | 547,419 |
| Other comprehensive income | | |
| Foreign currency translation gain | (79) | (54,350) |
| Unrealized loss on marketable equity security | (1,130,410) | (722,319) |
| Comprehensive income (loss) | \$ (1,469,665) | \$ (229,250) |
| Weighted average shares outstanding : | | |
| Basic | 18,710,250 | 18,710,250 |
| Diluted | 18,710,250 | 18,710,250 |
| Earnings per share: | | |
| Basic | \$ (0.02) | \$ 0.03 |

| | | | | |
|---------|----|--------|----|------|
| Diluted | \$ | (0.02) | \$ | 0.03 |
|---------|----|--------|----|------|

The accompanying notes are an integral part of these consolidated financial statements

BODISEN BIOTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended March 31, | |
|--|------------------------------|--------------|
| | 2010 | 2009 |
| | (unaudited) | (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ (339,176) | \$ 547,419 |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 260,824 | 147,101 |
| Loss on disposal of fixed asset | - | 11,914 |
| Loss on the sale of investment | - | 130,247 |
| Allowance (recovery) of bad debts | (31,505) | (483,514) |
| Equity income in investment | - | (159,643) |
| (Increase) / decrease in assets: | | |
| Accounts receivable | (336,320) | (861,484) |
| Other receivables | (6,064) | (26,589) |
| Inventory | 197,037 | 627,397 |
| Advances to suppliers | (434,833) | (174,154) |
| Prepaid expense | 133,058 | 14,817 |
| Increase / (decrease) in current liabilities: | | |
| Accounts payable | 22,112 | (335,494) |
| Accrued expenses | 7,516 | (16,640) |
| Net cash used in operating activities | (527,351) | (578,623) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (3,267) | - |
| Additions to construction in progress | - | (14,624) |
| Proceeds from sale of investment | - | 735,480 |
| Net cash provided by (used in) investing activities | (3,267) | 720,856 |
| Effect of exchange rate changes on cash and cash equivalents | (142) | (8,344) |
| NET INCREASE IN CASH & CASH EQUIVALENTS | (530,760) | 133,889 |
| CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD | 4,824,135 | 90,716 |
| CASH & CASH EQUIVALENTS, END OF PERIOD | \$ 4,293,375 | \$ 224,605 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |
| SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Transfer of construction in process to property and equipment | \$ - | \$ 7,166,581 |

The accompanying notes are an integral part of these consolidated financial statements

BODISEN BIOTECH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(UNAUDITED)

Note 1 - Organization and Basis of Presentation

The unaudited consolidated financial statements have been prepared by Bodisen Biotech, Inc., a Delaware corporation (the “Company” or “Bodisen”), pursuant to the rules and regulations of the Securities Exchange Commission (“SEC”). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K. The results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year ending December 31, 2010.

Organization and Line of Business

The accompanying consolidated financial statements include the accounts of Bodisen Biotech, Inc., its 100% wholly-owned subsidiaries Bodisen Holdings, Inc. (BHI), Yang Ling Bodisen Agricultural Technology Co., Ltd (Agricultural), which was incorporated in March 2005, and Sinkiang Bodisen Agriculture Material Co., Ltd. (Material), which was incorporated in June 2006, as well as the accounts of Agricultural’s 100% wholly- owned subsidiary Yang Ling Bodisen Biology Science and Technology Development Company Limited (BBST). The Company is engaged in developing, manufacturing and selling organic fertilizers, liquid fertilizers, pesticides and insecticides in the People’s Republic of China and produce numerous proprietary product lines, from pesticides to crop-specific fertilizers. The Company markets and sells its products to distributors throughout the People's Republic of China, and these distributors, in turn, sell the products to farmers.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated. The Company’s functional currency is the Chinese Yuan Renminbi (“RMB”); however the accompanying consolidated financial statements have been translated and presented in United States Dollars (\$) or “USD”).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Bodisen Biotech, Inc., its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Note 2 – Summary of Significant Accounting Policies

Reclassifications

Certain amounts in the 2009 consolidated financial statements have been reclassified to conform with the 2010 presentation with no effect to previously reported net income (loss).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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. Actual results could differ from those estimates. It is possible that accounting estimates and assumptions may be material to the Company due to the levels of subjectivity and judgment involved.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

The Company maintains reserves for potential credit losses for accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded based on the Company's historical collection history.

Advances to Suppliers

The Company advances to certain vendors for purchase of its material. The advances to suppliers are interest free and unsecured.

Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. The Management compares the cost of inventories with the market value and allowance is made for writing down their inventories to market value, if lower.

Property & Equipment and Capital Work In Progress

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives of:

| | |
|---------------------|----------|
| Operating equipment | 10 years |
| Vehicles | 8 years |
| Office equipment | 5 years |
| Buildings | 30 years |

The following are the details of the property and equipment at March 31, 2010 and December 31, 2009, respectively:

| | March 31, 2010 | December 31, 2009 |
|-------------------------------|-------------------|----------------------|
| Operating equipment | \$ 4,652,135 | \$ 4,650,919 |
| Vehicles | 687,791 | 687,791 |
| Office equipment | 87,552 | 87,552 |
| Buildings | 8,658,131 | 8,656,077 |
| | 14,085,609 | 14,082,339 |
| Less accumulated depreciation | (2,451,058) | (2,244,933) |
| Property and equipment, net | \$ 11,634,551 | \$ 11,837,406 |

Depreciation expense for the three months ended March 31, 2010 and 2009 was \$206,054 and \$92,383, respectively.

On March 31, 2010 and December 31, 2009, the Company had “Capital Work in Progress” representing the construction in progress of the Company’s manufacturing plant amounting \$10,422,641. During the three months ended March 31, 2010, there were no transfers from construction in progress to property and equipment.

Marketable Securities

The Company applies the guidance of ASC Topic 320 “Investments-Debt and Equity Securities,” which requires investments in equity securities to be classified as either trading securities or available-for-sale securities. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Marketable equity securities not classified as trading are classified as available for sale, and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders’ equity.

Long-Lived Assets

The Company applies the provisions of ASC Topic 360, “Property, Plant, and Equipment,” which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal. Based on its review, the Company believes that as of March 31, 2010 and December 31, 2009, there was no significant impairment of its long-lived assets.

Intangible Assets

Intangible assets consist of Rights to use land and Fertilizers proprietary technology rights. The Company evaluates intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets, other long-lived assets and, goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. In addition, the Company has long-term debt with financial institutions. The carrying amounts of the line of credit and other long-term liabilities approximate their fair values based on current rates of interest for instruments with similar characteristics.

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

The following table represents our assets and liabilities by level measured at fair value on a recurring basis as of March 31, 2010.

| Description | Level 1 | Level 2 | Level 3 |
|-----------------------|--------------|---------|---------|
| Assets | | | |
| Marketable securities | \$ 7,044,879 | \$ - | \$ - |

The Company did not identify any other non-recurring assets and liabilities that are required to be presented in the consolidated balance sheets at fair value in accordance with ASC 825.

Revenue Recognition

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Sales revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

Advertising Costs

The Company expenses the cost of advertising as incurred or, as appropriate, the first time the advertising takes place. Advertising costs for the three months ended March 31, 2010 and 2009 were insignificant.

Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation." ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. There were 426,000 options outstanding as of March 31, 2010.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, "Income Taxes." ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on the Company's consolidated financial statements.

In March 2005, Bodisen Biotech Inc. formed Agricultural. Under Chinese law, a newly formed wholly owned subsidiary of a foreign company enjoys an income tax exemption for the first two years and a 50% reduction of normal income tax rates for the following 3 years. In order to extend such tax benefits, in June 2005, Agricultural completed a transaction with BBST, which resulted in Agricultural owning 100% of BBST.

Foreign Currency Translation

The accounts of the Company's Chinese subsidiaries are maintained in the RMB and the accounts of the U.S. parent company are maintained in the USD. The accounts of the Chinese subsidiaries are translated into USD in accordance with Accounting Standards Codification ("ASC") Topic 830 "Foreign Currency Matters," with the RMB as the functional currency for the Chinese subsidiaries. According to Topic 830, all assets and liabilities were translated at the exchange rate on the balance sheet date, stockholders' equity is translated at historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, "Comprehensive Income." Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the statement of operations.

Foreign Currency Transactions and Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company's Chinese subsidiaries is the Chinese Yuan Renminbi. Translation gains of \$8,127,671 and \$8,127,749 at March 31, 2010 and

December 31, 2009, respectively are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet. During the three months ended March 31, 2010 and 2009, other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains (loss) of \$(78) and \$(54,350), respectively.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with the ASC Topic 260, "Earnings Per Share." Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock warrants were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. There were 436,000 and 536,000 options as of March 31, 2010 and 2009 that were excluded from the diluted loss per share calculation due to their anti-dilutive effect.

Statement of Cash Flows

In accordance ASC Topic 230, "Statement of Cash Flows," cash flows from the Company's operations are calculated based upon the local currencies using the average translation rates. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

Segment Reporting

ASC Topic 280, "Segment Report," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. ASC Topic 280 has no effect on the Company's consolidated financial statements as the Company consists of one reportable business segment. All revenue is from customers in People's Republic of China and all of the Company's assets are located in People's Republic of China.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update 2009-15 ("ASU 2009-15") regarding accounting for own-share lending arrangements in contemplation of convertible debt issuance or other financing. This ASU requires that at the date of issuance of the shares in a share-lending arrangement entered into in contemplation of a convertible debt offering or other financing, the shares issued shall be measured at fair value and be recognized as an issuance cost, with an offset to additional paid-in capital. Further, loaned shares are excluded from basic and diluted earnings per share unless default of the share-lending arrangement occurs, at which time the loaned shares would be included in the basic and diluted earnings-per-share calculation. This ASU is effective for fiscal years beginning on or after December 15, 2009, and interim periods within those fiscal years for arrangements outstanding as of the beginning of those fiscal years. The adoption of this ASU did not have a significant impact on the Company's consolidated financial statements.

On December 15, 2009, the FASB issued ASU No. 2010-06 Fair Value Measurements and Disclosures Topic 820 "Improving Disclosures about Fair Value Measurements". This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

On February 25, 2010, the FASB issued ASU 2010-09 Subsequent Events Topic 855 “Amendments to Certain Recognition and Disclosure Requirements,” effective immediately. The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The FASB believes these amendments remove potential conflicts with the SEC’s literature. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

On March 5, 2010, the FASB issued ASU No. 2010-11 Derivatives and Hedging Topic 815 “Scope Exception Related to Embedded Credit Derivatives.” This ASU clarifies the guidance within the derivative literature that exempts certain credit related features from analysis as potential embedded derivatives requiring separate accounting. The ASU specifies that an embedded credit derivative feature related to the transfer of credit risk that is only in the form of subordination of one financial instrument to another is not subject to bifurcation from a host contract under ASC 815-15-25, Derivatives and Hedging — Embedded Derivatives — Recognition. All other embedded credit derivative features should be analyzed to determine whether their economic characteristics and risks are “clearly and closely related” to the economic characteristics and risks of the host contract and whether bifurcation is required. The ASU is effective for the Company on July 1, 2010. Early adoption is permitted. The adoption of this ASU will not have a material impact on the Company’s consolidated financial statements.

Note 3 – Inventory

Inventory at March 31, 2010 and December 31, 2009 consisted of the following:

| | March 31, 2010 | December 31, 2009 |
|---------------------------|-------------------|-------------------------|
| Raw materials | \$ 244,238 | \$ 355,714 |
| Packaging | 45,473 | 59,729 |
| Finished goods | 504,324 | 652,202 |
| | 794,035 | 1,067,645 |
| Less obsolescence reserve | - | (76,505) |
| Inventory, net | \$ 794,035 | \$ 991,140 |

Note 5 – Marketable Security

During 2008, the Company exchanged \$3,291,264 of receivables for a 28.8% ownership interest in a Chinese company, Shanxi Jiali Pharmaceutical Co. Ltd (“Jiali”). The Company had written down the value of this investment by \$987,860 at December 31, 2008. This investment was originally accounted for under the equity method and the Company recorded equity income in this investment through September 30, 2009. During the fourth quarter of 2009, Jiali was purchased by China Pediatric Pharmaceuticals, Inc. (“China Pediatric”), a public company. After the transaction, the Company owned 18.8% of China Pediatric. The Company then changed the accounting method for the investment from the equity method to the fair value method. At the date of the change, the investment was valued at \$2,829,732. As of March 31, 2010 and December 31, 2009, the fair value of the investment is \$7,044,879 and \$8,175,290, respectively, which is reflected in the consolidated balance sheet. The company recognized an unrealized loss of \$1,130,411 and \$722,319 for the three months ended March 31, 2010 and 2009, respectively, which is reflected as other comprehensive income in the consolidated statement of stockholder’s equity.

Note 6– Intangible Assets

Net intangible assets at March 31, 2010 and December 31, 2009 were as follows:

12

| | March 31, 2009 | December 31, 2009 |
|---|-------------------|-------------------------|
| Rights to use land | \$ 4,999,724 | \$ 4,999,725 |
| Fertilizers proprietary technology rights | 1,173,600 | 1,173,600 |
| | 6,173,324 | 6,173,325 |
| Less accumulated amortization | (1,354,210) | (1,299,421) |
| Intangibles, net | \$ 4,819,114 | \$ 4,873,904 |

The Company's office and manufacturing site is located in Yang Ling Agricultural High-Tech Industries Demonstration Zone in the province of Shaanxi, People's Republic of China. The Company leases land per a real estate contract with the government of People's Republic of China for a period from November 2001 through November 2051. Per the People's Republic of China's governmental regulations, the Government owns all land.

During July 2003, the Company leased another parcel of land per a real estate contract with the government of the People's Republic of China for a period from July 2003 through June 2053.

The Company has recognized the amounts paid for the acquisition of rights to use land as intangible asset and amortizing over a period of fifty years. The "Rights to use land" is being amortized over a 50 year period.

The Company acquired Fluid and Compound Fertilizers proprietary technology rights with a life ending December 31, 2011. The Company is amortizing Fertilizers proprietary technology rights over a period of ten years.

On July 15, 2008, the Company entered into a 50 year land rights agreement.

Amortization expense for the Company's intangible assets for the three month periods ended March 31, 2010 and 2009 amounted to \$54,770 and \$54,718, respectively.

Note 7 – Stock Options

Stock Options

Following is a summary of the stock option activity:

| | Options Outstanding | Weighted Average Exercise Price Price | Aggregate Intrinsic Value |
|---|------------------------|--|---------------------------------|
| Outstanding at December 31, 2009 | 426,000 | \$ 1.07 | |
| Granted | - | | |
| Canceled | - | | |
| Exercised | - | | |
| Outstanding at March 31, 2010 (unaudited) | 426,000 | \$ 1.07 | |
| Exercisable at March 31, 2010 (unaudited) | 426,000 | \$ 1.07 | \$ - |

Note 8 – Statutory Common Welfare Fund

As stipulated by the Company Law of the People's Republic of China (PRC), net income after taxation can only be distributed as dividends after appropriation has been made for the following:

13

- i. Making up cumulative prior years' losses, if any;
- ii. Allocations to the "Statutory surplus reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital;
- iii. Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory common welfare fund", which is established for the purpose of providing employee facilities and other collective benefits to the Company's employees; and
- iv. Allocations to the discretionary surplus reserve, if approved in the stockholders' general meeting.

Pursuant to the new Corporate Law effective on January 1, 2006, there is now only one "Statutory surplus reserve" requirement. The reserve is 10 percent of income after tax, not to exceed 50 percent of registered capital.

The Company did not appropriate a reserve for the statutory surplus reserve and welfare fund for the three months ended March 31, 2010 and 2009.

Note 9 – Factory Location and Lease Commitments

The Company's principal executive offices are located at North Part of Xinquia Road, Yang Ling Agricultural High-Tech Industries Demonstration Zone Yang Ling, Shaanxi province, People's Republic of China. BBST owns two factories, which includes three production lines, an office building, one warehouse, and two research labs and, is located on 10,900 square meters of land. These leases require monthly rental payments of \$2,546 and the leases expire in 2013.

Note 10 – Current Vulnerability Due to Certain Concentrations

Two vendors provided 48.4% and 31.3% of the Company's raw materials for the three months ended March 31, 2010 and three vendors provided 48.6%, 33.5% and 10.7% of the Company's raw materials for the three months ended March 31, 2009.

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, by the general state of the PRC's economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Note Regarding Forward-Looking Statements

We make certain forward-looking statements in this report. Statements concerning our future operations, prospects, strategies, financial condition, future economic performance (including growth and earnings), demand for our services, and other statements of our plans, beliefs, or expectations, including the statements contained under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," as well as captions elsewhere in this document, are forward-looking statements. In some cases these statements are identifiable through the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "could," "may," "should," "will," "would," and similar expressions. We intend such forward-looking statements to be covered by the safe harbor provisions contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks, and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. Indeed, it is likely that some of our assumptions will prove to be incorrect. Our actual results and financial position will vary from those projected or implied in the forward-looking statements and the variances may be material. You are cautioned not to place undue reliance on such forward-looking statements. These risks and uncertainties, together with the other risks described from time to time in reports and documents that we file with the SEC should be considered in evaluating forward-looking statements.

The nature of our business makes predicting the future trends of our revenue, expenses, and net income difficult. Thus, our ability to predict results or the actual effect of our future plans or strategies is inherently uncertain. The risks and uncertainties involved in our business could affect the matters referred to in any forward-looking statements and it is possible that our actual results may differ materially from the anticipated results indicated in these forward-looking statements. Important factors that could cause actual results to differ from those in the forward-looking statements include, without limitation, the following:

- the effect of political, economic, and market conditions and geopolitical events;
 - legislative and regulatory changes that affect our business;
 - the availability of funds and working capital;
 - the actions and initiatives of current and potential competitors;
 - investor sentiment; and
 - our reputation.

We do not undertake any responsibility to publicly release any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this report. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by any forward-looking statements.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes thereto as filed with the SEC and other financial information contained elsewhere in this Report.

Except as otherwise indicated by the context, references in this Form 10-Q to "we," "us," "our," "the Registrant," "our Company," or "the Company" are Bodisen Biotech, Inc., a Delaware corporation and its consolidated subsidiaries, including Yang Ling Bodisen Biology Science and Technology Development Company Limited, ("Yang Ling"), our operating subsidiary. Unless the context otherwise requires, all references to (i) "PRC" and "China" are to the People's

Republic of China; (ii) “U.S. dollar,” “\$” and “US\$” are to United States dollars; (iii) “RMB” are to Yuan Renminbi of China; (iv) “Securities Act” are to the Securities Act of 1933, as amended; and (v) “Exchange Act” are to the Securities Exchange Act of 1934, as amended.

Critical Accounting Policies and Estimates

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("US GAAP"). US GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expenses amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

We believe the following is among the most critical accounting policies that impact our consolidated financial statements. We suggest that our significant accounting policies, as described in our condensed consolidated financial statements in the Summary of Significant Accounting Policies, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Accounts receivable

We maintain reserves for potential credit losses on accounts receivable and record them primarily on a specific identification basis. In order to establish reserves, we review the composition of accounts receivable and analyze historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. This analysis and evaluation requires the use of judgments and estimates. Because of the nature of the evaluation, certain of the judgments and estimates are subject to change, which may require adjustments in future periods.

Inventories

We value inventories at the lower of cost (determined on a weighted average basis) or market. When evaluating our inventory, we compare the cost with the market value and make allowance to write them down to market value, if lower. The determination of market value requires the use of estimates and judgment by our management.

Intangible assets

We evaluate intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. This evaluation requires the use of judgments and estimates, in particular with respect to recoverability. Recoverability of intangible assets, other long-lived assets and, goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update 2009-15 ("ASU 2009-15") regarding accounting for own-share lending arrangements in contemplation of convertible debt issuance or other financing. This ASU requires that at the date of issuance of the shares in a share-lending arrangement entered into in contemplation of a convertible debt offering or other financing, the shares issued shall be measured at fair value and be recognized as an issuance

cost, with an offset to additional paid-in capital. Further, loaned shares are excluded from basic and diluted earnings per share unless default of the share-lending arrangement occurs, at which time the loaned shares would be included in the basic and diluted earnings-per-share calculation. This ASU is effective for fiscal years beginning on or after December 15, 2009, and interim periods within those fiscal years for arrangements outstanding as of the beginning of those fiscal years. The adoption of this ASU did not have a significant impact on the Company's consolidated financial statements.

On December 15, 2009, the FASB issued ASU No. 2010-06 Fair Value Measurements and Disclosures Topic 820 "Improving Disclosures about Fair Value Measurements". This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

On February 25, 2010, the FASB issued ASU 2010-09 Subsequent Events Topic 855 “Amendments to Certain Recognition and Disclosure Requirements,” effective immediately. The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The FASB believes these amendments remove potential conflicts with the SEC’s literature. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

On March 5, 2010, the FASB issued ASU No. 2010-11 Derivatives and Hedging Topic 815 “Scope Exception Related to Embedded Credit Derivatives.” This ASU clarifies the guidance within the derivative literature that exempts certain credit related features from analysis as potential embedded derivatives requiring separate accounting. The ASU specifies that an embedded credit derivative feature related to the transfer of credit risk that is only in the form of subordination of one financial instrument to another is not subject to bifurcation from a host contract under ASC 815-15-25, Derivatives and Hedging — Embedded Derivatives — Recognition. All other embedded credit derivative features should be analyzed to determine whether their economic characteristics and risks are “clearly and closely related” to the economic characteristics and risks of the host contract and whether bifurcation is required. The ASU is effective for the Company on July 1, 2010. Early adoption is permitted. The adoption of this ASU will not have a material impact on the Company’s consolidated financial statements.

Results of Operations

Three Months Ended March 31, 2010 as Compared to Three Months Ended March 31, 2009

Revenue. We generated revenue of \$1,031,309 for the three months ended March 31, 2010, a decrease of \$503,726 or 33%, compared to \$1,535,035 for the three months ended March 31, 2009. The decrease in revenue is primarily attributable to the overall slowdown in the global economy. The decrease in revenue is attributed to lower sales volume.

Gross Profit. We achieved a gross profit of \$221,426 for the three months ended March 31, 2010, an increase of \$9,675 or 5%, compared to \$211,751 for the three months ended March 31, 2009. Gross margin (gross profit as a percentage of revenues), was 21% for the three months ended March 31, 2010, compared to 14% for the three months ended March 31, 2009. The increase in the gross margin percentage was primarily attributable to an overall decrease in production costs.

Operating expenses. We incurred net operating expenses of \$562,496 for the three months ended March 31, 2010, an increase of \$859,368 or 283%, compared to operating income of \$306,872 for the three months ended March 31, 2009. The increase in our operating expenses is primarily attributable to a decrease in bad debt recoveries in 2010 and an increase in marketing promotion and advertising programs and depreciation and amortization expenses. For the three months ended March 31, 2009, we recognized \$483,514 in bad debt recoveries compared to \$31,505 for the comparable period in 2010.

Aggregated selling expenses accounted for \$141,414 of our operating expenses for the three months ended March 31, 2010, an increase of \$129,168 or 1,055%, compared to \$12,246 for the three months ended March 31, 2009. The increase in our aggregated selling expenses is primarily attributable to an increase in marketing promotion and advertising programs.

General and administrative expenses accounted for the remainder of our net operating expenses of \$421,082 for the three months ended March 31, 2010, an increase of \$752,114 or 227%, compared to income of \$331,032 for the three months ended March 31, 2009. The increase in general and administrative expenses is primarily attributable to a

decrease in bad debt recoveries in 2010 and an increase in and depreciation and amortization expenses. For the three months ended March 31, 2009, we recognized \$483,514 in bad debt recoveries compared to \$31,505 for the comparable period in 2010. Also, for the three months ended March 31, 2010 depreciation and amortization expense increased by \$113,723 or 77% due to the increase in property and equipment.

Non Operating Income and Expenses. We had total non-operating income of \$1,894 for the three months ended March 31, 2010, a decrease of \$26,902 compared to \$28,796 for the three months ended March 31, 2009. Other income (expense) was \$(614) for the three months ended March 31, 2010 compared to \$(717) for the three months ended March 31, 2009. Also included in non-operating income (expense) for the three months ended March 31, 2009 is a loss \$130,247 related to a loss on the sale of investment and a gain of \$159,643 related to equity income of an investment that we account for under the equity method. During the three months ended March 31, 2010, we did not incur any gains or losses related to the above transactions.

Net Income. For the foregoing reasons, we had a net loss of \$339,176 for the three months ended March 31, 2010, a decrease of \$886,595 or 162%, compared to net income of \$547,719 for the three months ended March 31, 2009. We had earnings (loss) per share of \$(0.02) and \$0.03 for the three months ended March 31, 2010 and 2009, respectively.

Liquidity and Capital Resources

We are primarily a parent holding company for the operations carried out by our indirect operating subsidiary, Yang Ling, which carries out its activities in the People's Republic of China. Because of our holding company structure, our ability to meet our cash requirements apart from our financing activities, including payment of dividends on our common stock, if any, substantially depends upon the receipt of dividends from our subsidiaries, particularly Yang Ling.

As of March 31, 2010, we had \$4,293,375 of cash and cash equivalents compared to \$4,824,135 as of December 31, 2009.

Cash Flows

Operating. We used \$527,351 of cash for operating activities for the three months ended March 31, 2010 compared to \$578,623 for the three months ended March 31, 2009.

Investing. Our investing activities used \$3,267 of cash for the three months ended March 31, 2010, compared to \$720,856 of cash provided by investing activities for the three months ended March 31, 2009. The decrease is primarily attributable to the proceeds from the sale of investment in 2009 of \$735,480 for which there were no sales in 2010.

Financing. We had no cash provided by financing activities for the three months ended March 31, 2010 and 2009.

Contractual Commitments

In August 2006, we entered into a 30-year land-lease arrangement with the government of the People's Republic of China, under which we pre-paid \$2,529,818 upon execution of the contract of lease expense for the next 15 years. We agreed to make a prepayment for the next eight years in November 2021, and will make a final pre-payment in November 2029 for the remaining seven years. The annual lease expense amounts to approximately \$169,580. Our land-lease arrangement is currently our only material on- and off-balance sheet expected or contractually committed future obligation.

Off-Balance Sheet Arrangements

We currently do not have any material off-balance sheet arrangements except for the remaining pre-payments under the land-lease arrangement described above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of our Disclosure Controls

As of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have evaluated the effectiveness of our “disclosure controls and procedures” (“Disclosure Controls”). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Chief Executive Officer, Bo Chen, and our Chief Financial Officer, Junyan Tong, as appropriate to allow timely decisions regarding required disclosure. Our management does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our chief executive officer and our chief financial officer. Based on that evaluation, Messrs. Bo and Tong concluded that because of the material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of March 31, 2010.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Notwithstanding the aforementioned controls implemented in December 2006, during management’s assessment of the effectiveness of internal control over financial reporting as of December 31, 2009, management identified deficiencies related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) a lack of segregation of duties within accounting functions, (iii) our internal risk assessment functions, and (iv) our communication functions.. Management believes that these deficiencies amount to a material weakness that render our internal controls over financial reporting ineffective as of March 31, 2010.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In order to correct the foregoing deficiencies, we have taken the following remediation measures:

- Although our accounting staff is professional and experienced in accounting requirements and procedures generally accepted in the PRC, management has determined that they require additional training and assistance in U.S. GAAP matters. Management has determined that our internal audit function is also significantly deficient due to insufficient qualified resources to perform internal audit functions. We retained an outside consulting firm in September 2006, which has since been assisting us in the implementation of Section 404.

- We have committed to the establishment of effective internal audit functions and have instituted various anti-fraud control and financial and account management policies and procedures to strengthen our internal controls over financial reporting. Due to the scarcity of qualified candidates with extensive experience in U.S. GAAP reporting and accounting in the region, we were not able to hire sufficient internal audit resources before the end of 2009. However, we will increase our search for qualified candidates with assistance from recruiters and through referrals.
- Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.
- As of the fiscal year ended December 31, 2009, we have not yet established an effective risk assessment system that enables us to collect related information comprehensively and systematically, assess risks in a timely, realistic manner, and take appropriate measures to control risks effectively. The Company is working with its outside consultant to devise an effective risk assessment system and our Chief Financial Officer Junyan Tong is responsible for overseeing such measures.
- As of the three months ended March 31, 2010, we are working to strengthen efforts to establish an effective communication system with clear procedures that will enable us to collect, process and deliver information related to internal controls in a timely fashion. Due to our limited staff, our Chief Financial Officer, Mr. Tong, will initially be primarily responsible for collecting and delivering such information among the different levels of Company management.

We believe that the foregoing steps will remediate the significant deficiencies identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

Notwithstanding the conclusion that our internal control over financial reporting was not effective as of the end of the period covered by this report, the Chief Executive Officer and the Chief Financial Officer believe that the financial statements and other information contained in this annual report present fairly, in all material respects, our business, financial condition and results of operations. Nothing has come to the attention of management that causes them to believe that any material inaccuracies or errors exist in our financial statements as of March 31, 2010. The reportable conditions and other areas of our internal control over financial reporting identified by us as needing improvement have not resulted in a material restatement of our financial statements. Nor are we aware of any instance where such reportable conditions or other identified areas of weakness have resulted in a material misstatement of omission in any report we have filed with or submitted to the Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during our first quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse affect on our business, financial condition, results of operations or liquidity.

ITEM 1A. RISK FACTORS.

Not Applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

| Exhibit No. | Exhibit Description |
|-------------|---|
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended. |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BODISEN BIOTECH, INC.

Dated: May 14, 2010

/s/Bo Chen
Bo Chen
Chairman, Chief Executive Officer and President
(principal executive officer)

Dated: May 14, 2010

/s/Junyan Tong
Junyan Tong
Chief Financial Officer
(principal financial officer and accounting officer)