

BODISEN BIOTECH, INC  
Form 10-Q/A  
February 16, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q/A  
(Amendment No. 1)  
(Mark One)

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

For the quarterly period ended: September 30, 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 NaguanZhengjie  
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.  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

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 November 17, 2010:  
18,710,250

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Explanatory Note

Bodisen Biotech, Inc. (the “Company”) is filing this amendment to its Quarterly Report on Form 10-Q originally filed with the SEC on November 22, 2010 (the “Original Filing”). This Quarterly Report on Form 10-Q/A is being filed solely to correct typographical errors on the cover page.

Except as noted above there have been no other changes to the Original Filing.

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TABLE OF CONTENTS

|                |  | Page |
|----------------|--|------|
| <b>PART I</b>  |  |      |
| Item 1.        | Financial Statements   | 2    |
| Item 2.        | Management’s Discussion and Analysis of Financial Condition and Results of Operation | 14   |
| Item 3.        | Quantitative and Qualitative Disclosures About Market Risk                           | 17   |
| Item 4         | Controls and Procedures  | 17   |
| <b>PART II</b> |  |      |
| Item 1.        | Legal Proceedings  | 20   |
| Item 1A.       | Risk Factors   | 20   |
| Item 2.        | Unregistered Sales of Equity Securities and Use of Proceeds                          | 20   |
| Item 3.        | Defaults Upon Senior Securities  | 20   |
| Item 4.        | (Removed and Reserved)   | 20   |
| Item 5.        | Other Information  | 20   |
| Item 6.        | Exhibits   | 20   |
| SIGNATURES     |  | 21   |

## PART I – FINANCIAL INFORMATION

## BODISEN BIOTECH, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

|   | September 30,<br>2010<br>(unaudited) | December 31,<br>2009<br>(as restated) |
|---|--------------------------------------|---------------------------------------|
| <b>ASSETS</b>   |                                      |                                       |
| <b>CURRENT ASSETS:</b>  |                                      |                                       |
| Cash and cash equivalents   | \$ 3,603,356                         | \$ 4,824,135                          |
| Accounts receivable and other receivable, net of allowance for doubtful accounts of \$669,672 and \$2,196,072 | 4,340,852                            | 2,346,583                             |
| Note receivable   | 1,497,000                            | -                                     |
| Other receivables   | 22,953                               | 26,298                                |
| Inventory, net  | 2,432,490                            | 991,140                               |
| Advances to suppliers   | 209,705                              | 541,754                               |
| Prepaid expense and other current assets  | 9,647                                | 966,942                               |
| <b>Total current assets</b>   | <b>12,116,003</b>                    | <b>9,696,852</b>                      |
| <b>PROPERTY AND EQUIPMENT, net</b>  | <b>11,480,500</b>                    | <b>11,837,406</b>                     |
| <b>CONSTRUCTION IN PROGRESS</b>   | <b>10,650,752</b>                    | <b>10,422,641</b>                     |
| <b>MARKETABLE SECURITY, AVAILABLE-FOR-SALE</b>  | <b>9,487,373</b>                     | <b>8,175,290</b>                      |
| <b>INTANGIBLE ASSETS, net</b>   | <b>4,805,859</b>                     | <b>4,873,904</b>                      |
| <b>TOTAL ASSETS</b>   | <b>\$ 48,540,487</b>                 | <b>\$ 45,006,093</b>                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                      |                                       |
| <b>CURRENT LIABILITIES:</b>   |                                      |                                       |
| Accounts payable  | \$ 1,563,458                         | \$ 71,504                             |
| Deferred revenue  | 829,547                              | 917,147                               |
| Accrued expenses and other payables   | 153,639                              | 161,673                               |
| <b>Total current liabilities</b>  | <b>2,546,644</b>                     | <b>1,150,324</b>                      |
| Long-term note payable  | 1,497,000                            | -                                     |
| <b>TOTAL LIABILITIES</b>  | <b>4,043,644</b>                     | <b>1,150,324</b>                      |
| <b>STOCKHOLDERS' EQUITY:</b>  |                                      |                                       |
| Preferred stock, \$0.0001 per share; authorized 5,000,000 shares;<br>nil issued and outstanding               |                                      |                                       |

|   |                      |                      |
|---|----------------------|----------------------|
| Common stock, \$0.0001 per share; authorized 30,000,000 shares;<br>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  | 15,606,779           | 13,473,307           |
| Statutory reserve   | 4,314,488            | 4,314,488            |
| Accumulated deficit   | (9,372,117)          | (7,879,719)          |
| Total stockholders' equity  | 44,496,843           | 43,855,769           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 48,540,487</b> | <b>\$ 45,006,093</b> |

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 September 30, |                | Nine Months Ended September 30, |                |
|--|----------------------------------|----------------|---------------------------------|----------------|
|  | 2010                             | 2009           | 2010                            | 2009           |
|  | (unaudited)                      | (unaudited)    | (unaudited)                     | (unaudited)    |
|  |                                  | (as restated)  |                                 | (as restated)  |
| Net revenue  | \$ 2,209,724                     | \$ 56,090      | \$ 5,661,715                    | \$ 3,246,456   |
| Cost of revenue                                      | 1,559,565                        | 503,530        | 4,224,164                       | 2,720,245      |
| Gross profit (loss)                                  | 650,159                          | (447,440)      | 1,437,551                       | 526,211        |
| Operating expenses                                   |                                  |                |                                 |                |
| Selling expenses                                     | 25,835                           | 15,816         | 372,021                         | 42,934         |
| General and administrative expenses                  | 956,675                          | 494,744        | 2,418,410                       | 794,886        |
| Writedown of assets                                  | -                                | -              | -                               | 104,254        |
| Total operating expenses                             | 982,510                          | 510,560        | 2,790,431                       | 942,074        |
| Loss from operations                                 | (332,351)                        | (958,000)      | (1,352,880)                     | (415,863)      |
| Non-operating income (expense):                      |                                  |                |                                 |                |
| Other income (expense)                               | (61,531)                         | (503)          | (81,372)                        | (1,787)        |
| Interest income                                      | 5,826                            | 82             | 13,712                          | 396            |
| Interest expense                                     | (40,438)                         | (60)           | (61,561)                        | (208)          |
| Loss on disposal of property and equipment           | (10,297)                         | -              | (10,297)                        | -              |
| Loss on the sale of investment                       | -                                | (29)           | -                               | (211,639)      |
| Equity income in investment                          | -                                | 177,826        | -                               | 484,728        |
| Total non-operating income (expense)                 | (106,440)                        | 177,316        | (139,518)                       | 271,490        |
| Loss before provision for income taxes               | (438,791)                        | (780,684)      | (1,492,398)                     | (144,373)      |
| Provision (benefit) for income taxes                 | -                                | -              | -                               | -              |
| Net loss   | (438,791)                        | (780,684)      | (1,492,398)                     | (144,373)      |
| Other comprehensive income (loss)                    |                                  |                |                                 |                |
| Foreign currency translation gain                    | 653,271                          | 55,167         | 821,389                         | 259            |
| Unrealized gain (loss) on marketable equity security | 201,859                          | (7,161,275)    | 1,312,083                       | (2,270,145)    |
| Comprehensive loss                                   | \$ 416,339                       | \$ (7,886,792) | \$ 641,074                      | \$ (2,414,259) |
| Weighted average shares outstanding :                |                                  |                |                                 |                |
| Basic  | 18,710,250                       | 18,710,250     | 18,710,250                      | 18,710,250     |
| Diluted  | 18,710,250                       | 18,710,250     | 18,710,250                      | 18,710,250     |
| Loss per share:                                      |                                  |                |                                 |                |

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|         |    |        |    |        |    |        |    |        |
|---------|----|--------|----|--------|----|--------|----|--------|
| Basic   | \$ | (0.02) | \$ | (0.04) | \$ | (0.08) | \$ | (0.01) |
| Diluted | \$ | (0.02) | \$ | (0.04) | \$ | (0.08) | \$ | (0.01) |

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



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

|  | Nine Months Ended September<br>30, |                                      |
|--|------------------------------------|--------------------------------------|
|  | 2010<br>(unaudited)                | 2009<br>(unaudited)<br>(as restated) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                   |                                    |                                      |
| Net loss   | \$ (1,492,398)                     | \$ (144,373)                         |
| Adjustments to reconcile net loss to net cash<br>used in operating activities: |                                    |                                      |
| Depreciation and amortization  | 757,672                            | 557,736                              |
| Loss on disposal of fixed asset  | -                                  | 104,254                              |
| Loss on the sale of investment   | -                                  | 211,610                              |
| Allowance (recovery) of bad debts  | 897,017                            | 104,736                              |
| Equity income in investment  | -                                  | (484,728)                            |
| (Increase) / decrease in assets:   |                                    |                                      |
| Accounts receivable  | (3,366,551)                        | (918,350)                            |
| Other receivables  | 3,815                              | 303,819                              |
| Inventory  | (1,396,400)                        | 1,276,509                            |
| Advances to suppliers  | 337,168                            | (486,562)                            |
| Prepaid expense  | 960,100                            | 49,356                               |
| Increase / (decrease) in current liabilities:                                  |                                    |                                      |
| Accounts payable   | 1,464,814                          | (586,759)                            |
| Deferred revenue   | 438,646                            | (613,428)                            |
| Accrued expenses   | 62,933                             | (16,917)                             |
| Other payables   | 55,673                             | -                                    |
| <b>Net cash used in operating activities</b>                                   | <b>(1,277,511)</b>                 | <b>(643,097)</b>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                                    |                                      |
| Disposal of property and equipment   | (4,292)                            | -                                    |
| Additions to construction in progress  | -                                  | (15,287)                             |
| Decrease in construction in progress   | (14,710)                           | -                                    |
| Proceeds from sale of investment   | -                                  | 735,656                              |
| Loan receivable  | (1,471,000)                        | -                                    |
| <b>Net cash provided by (used in) investing activities</b>                     | <b>(1,490,002)</b>                 | <b>720,369</b>                       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                                    |                                      |
| Proceeds from issuance of long-term debt                                       | 1,471,000                          | -                                    |
| <b>Net cash provided by investing activities</b>                               | <b>1,471,000</b>                   | <b>-</b>                             |
| Effect of exchange rate changes on cash and cash equivalents                   | 75,734                             | 934                                  |
| <b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>                  | <b>(1,220,779)</b>                 | <b>78,206</b>                        |

|  |              |              |
|--|--------------|--------------|
| CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD                     | 4,824,135    | 90,716       |
| CASH & CASH EQUIVALENTS, END OF PERIOD                           | \$ 3,603,356 | \$ 168,922   |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>         |              |              |
| Interest paid  | \$ -         | \$ -         |
| Income taxes paid  | \$ -         | \$ -         |
| <b>SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:</b> |              |              |
| 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 NINE MONTHS ENDED SEPTEMBER 30, 2010  
(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 nine months ended September 30, 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., and 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.

BODISEN BIOTECH, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
 (UNAUDITED)

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 September 30, 2010 and December 31, 2009, respectively:

|                     | September 30,<br>2010 | December 31,<br>2009 |
|---------------------|-----------------------|----------------------|
| Operating equipment | \$ 4,747,269          | \$ 4,650,919         |
| Vehicles            | 701,856               | 687,791              |

|                               |               |               |
|-------------------------------|---------------|---------------|
| Office equipment              | 90,375        | 87,552        |
| Buildings                     | 8,835,190     | 8,656,077     |
|                               | 14,374,690    | 14,082,339    |
| Less accumulated depreciation | (2,894,190)   | (2,244,933)   |
| Property and equipment, net   | \$ 11,480,500 | \$ 11,837,406 |

Depreciation expense for the three and ninemonths ended September 30, 2010 and 2009 was \$201,344and \$592,870and \$206,863and \$393,492, respectively.

On September 30, 2010 and December 31, 2009, the Company had “Capital Work in Progress” representing the construction in progress of the Company’s manufacturing plant amounting \$10,650,752and \$10,422,641. During the nine months ended September 30, 2010, there were no transfers from construction in progress to property and equipment.

BODISEN BIOTECH, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
(UNAUDITED)

#### 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 September 30, 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.



BODISEN BIOTECH, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
 (UNAUDITED)

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 September 30, 2010.

| Description           | Level 1      | Level 2 | Level 3 |
|-----------------------|--------------|---------|---------|
| <b>Assets:</b>        |              |         |         |
| Marketable securities | \$ 9,487,373 | \$ -    | \$ -    |

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. Because collection is not reasonably assured, sales revenue is recognized using the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments exceed the cost of the goods sold.

#### 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 and nine months ended September 30, 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 September 30, 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.

BODISEN BIOTECH, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
(UNAUDITED)

#### 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 were 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 \$8,949,138 and \$8,127,749 at September 30, 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 and nine months ended September 30, 2010, other comprehensive income in the consolidated statements of operations and other comprehensive income included translation gains (loss) of \$653,271 and \$821,389, respectively, and \$55,167 and \$259 for the three and nine months ended September 30, 2009, 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 426,000 and 436,000 options as of September 30, 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 with 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.

Note 3 – Note Receivable

The note receivable is unsecured; bears interest at 9.1% per annum and is due on March 25, 2011.

BODISEN BIOTECH, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
(UNAUDITED)

## Note 4 – Inventory

Inventory at September 30, 2010 and December 31, 2009 consisted of the following:

|                           | September 30,<br>2010 | December 31,<br>2009 |
|---------------------------|-----------------------|----------------------|
| Raw materials             | \$ 1,684,375          | \$ 355,714           |
| Packaging                 | 7,476                 | 59,729               |
| Finished goods            | 740,639               | 652,202              |
|                           | 2,432,490             | 1,067,645            |
| Less obsolescence reserve | -                     | (76,505)             |
| Inventory, net            | \$ 2,432,490          | \$ 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 September 30, 2010 and December 31, 2009, the fair value of the investment is \$9,487,373 and \$8,175,290, respectively, which is reflected in the consolidated balance sheet. The company recognized an unrealized gain of \$201,859 and \$1,312,083 for the three and nine months ended September 30, 2010, respectively, and an unrealized loss of \$7,161,275 and \$2,270,145 for the three and nine months ended September 30, 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 September 30, 2010 and December 31, 2009 were as follows:

|   | September 30,<br>2010 | December 31,<br>2009 |
|---|-----------------------|----------------------|
| Rights to use land                        | \$ 5,101,968          | \$ 4,999,725         |
| Fertilizers proprietary technology rights | 1,197,600             | 1,173,600            |
|   | 6,299,568             | 6,173,325            |
| Less accumulated amortization             | (1,493,709)           | (1,299,421)          |
| Intangibles, net                          | \$ 4,805,859          | \$ 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 Company acquired Fluid and Compound Fertilizers proprietary technology rights on January 1, 2001 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.

BODISEN BIOTECH, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
(UNAUDITED)

Amortization expense for the Company's intangible assets amounted to \$55,244 and \$164,802 for the three and nine months ended September 30, 2010, respectively and \$54,763 and \$164,244 for the three and nine months ended September 30, 2009, respectively.

#### Note 7 – Long-Term Note Payable

On March 19, 2010, the Company obtained a bank loan for 10,000,000 RMB (approximately \$1,437,000). The loan has an 8.1% annual interest rate, matures on March 19, 2012 and is secured by the Company's land and facility.

#### Note 8 – Stock Options

##### Stock Options

The following is a summary of the stock option activity:

|   | Options<br>Outstanding | Weighted<br>Average<br>Exercise Price | Aggregate<br>Intrinsic<br>Value |
|---|------------------------|---------------------------------------|---------------------------------|
| Outstanding at December 31, 2009              | 426,000                | \$ 1.07                               |                                 |
| Granted                                       | -                      |                                       |                                 |
| Canceled                                      | -                      |                                       |                                 |
| Exercised                                     | -                      |                                       |                                 |
| Outstanding at September 30, 2010 (unaudited) | 426,000                | \$ 1.07                               |                                 |
| Exercisable at September 30, 2010 (unaudited) | 426,000                | \$ 1.07                               | \$ -                            |

#### Note 9 – 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:

- 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 ninemonths ended September 30, 2010 and 2009.

Note 10– 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.



BODISEN BIOTECH, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
(UNAUDITED)

Note 11 – Current Vulnerability Due to Certain Concentrations

Two vendors provided 65% and 22% of the Company's raw materials for the ninemonths ended September 30, 2010 and three vendors provided 36.6%, 13.4% and 10.7% of the Company's raw materials for the nine months ended September 30, 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.

Note 12 – Restatement

The Company changed its revenue recognition policy to the cost recovery method as the Company does not believe that collection is reasonably assured. Under the cost recovery method, no profit is recognized until cash payments exceed the cost of the goods sold and the Company records deferred revenue which is the gross profit that has not been realized. As a result of the change in the revenue recognition policy, the Company has restated previously issued financial statements.

The following adjustments were made to the financial statements for the three and nine months ended September 30, 2009.

|   | For the Three<br>Months Ended<br>September 30,<br>2009<br>As Reported<br>(Unaudited) | Adjustment<br>(Unaudited) | For the Three<br>Months Ended<br>September 30,<br>2009<br>Restated<br>(Unaudited) |
|---|--|---------------------------|---|
| Net revenue                                     | \$ 472,957   | \$ (416,867)              | \$ 56,090   |
| Gross profit                                    | (30,573)   | (416,867)                 | (447,440)   |
| General and administrative expenses             | 1,066,009  | (571,265)                 | 494,744   |
| Total operating expenses                        | 1,081,825  | (571,265)                 | 510,560   |
| Income (loss) from operations                   | (1,112,398)  | 154,398                   | (958,000)   |
| Other income (expense)                          | 177,316  | -                         | 177,316   |
| Income (loss) before provision for income taxes | (935,082)  | 154,398                   | (780,684)   |
| Net income (loss)                               | (935,082)  | 154,398                   | (780,684)   |
| Comprehensive loss                              | (8,041,190)  | 154,398                   | (7,886,792)   |
| Basic earnings (loss) per share                 | (0.05)   | (0.03)                    | (0.08)  |
| Diluted earnings (loss) per share               | \$ (0.05)  | \$ (0.03)                 | \$ (0.08)   |

BODISEN BIOTECH, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
(UNAUDITED)

|   | For the Nine<br>Months Ended<br>September 30, 2009 |                           | For the Nine<br>Months Ended<br>September 30, 2009 |
|---|--|---------------------------|--|
|   | As Reported<br>(Unaudited)                         | Adjustment<br>(Unaudited) | Restated<br>(Unaudited)                            |
| Net revenue                                     | \$ 3,078,485                                       | \$ 167,971                | \$ 3,246,456                                       |
| Gross profit                                    | 358,240  | 167,971                   | 526,211  |
| General and administrative expenses             | 207,593  | 587,293                   | 794,886  |
| Total operating expenses                        | 354,781  | 587,293                   | 942,074  |
| Income (loss) from operations                   | 3,459  | (419,322)                 | (415,863)  |
| Income (loss) before provision for income taxes | 274,949  | (419,322)                 | (144,373)  |
| Net income (loss)                               | 274,949  | (419,322)                 | (144,373)  |
| Comprehensive loss                              | (1,994,937)  | (419,322)                 | (2,414,259)  |
| Basic earnings (loss) per share                 | 0.01   | (0.02)                    | (0.01)   |
| Diluted earnings (loss) per share               | \$ 0.01  | \$ (0.02)                 | \$ (0.01)  |

Note 13 – Subsequent Events

Pursuant to Financial Accounting Standards Board Accounting Standards Codification 855-10, the Company has evaluated all events or transactions that occurred from October 1, 2010, through the filing with the SEC. The Company did not have any material recognizable subsequent events during this period.

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 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.

#### Revenue Recognition

Our revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Because collection is not reasonably assured, sales revenue is recognized using the cost recovery method. Under the cost recovery method, no profit is recognized until cash payments exceed the cost of the goods sold.

#### Results of Operations

##### Three Months Ended September 30, 2010 as Compared to Three Months Ended September 30, 2009

**Revenue.** We generated revenue of \$2,209,724 for the three months ended September 30, 2010, an increase of \$2,153,634 or 3,840%, compared to \$56,090 for the three months ended September 30, 2009. The increase in revenue is primarily attributable to the overall recovery of the economic environment and an increase in the demand for our products during the quarter.

**Gross Profit (Loss).** We experienced a gross profit of \$650,159 for the three months ended September 30, 2010, an increase of \$1,097,599 or 245%, compared to (\$447,440) for the three months ended September 30, 2009. Gross margin (gross profit as a percentage of revenue), was 29.4% for the three months ended September 30, 2010, compared

to (798)% for the three months ended September 30, 2009. The increase in the gross margin percentage was primarily attributable to the higher profit margins which are earned on the new products. During 2009, we reduced our selling price due to the economic downturn.

Selling Expenses. Aggregated selling expenses accounted for \$25,835 of our operating expenses for the three months ended September 30, 2010, an increase of \$10,019 or 63%, compared to \$15,816 for the three months ended September 30, 2009. The increase in our aggregated selling expenses is primarily attributable to an increase in marketing promotion and advertising programs.

**General and Administrative Expenses.** General and administrative expenses accounted for \$956,675 of our operating expenses for the three months ended September 30, 2010, an increase of \$461,931 or 93%, compared to of \$494,744 for the three months ended September 30, 2009. The increase is due to the \$735,500 deposit write off for the nine months ended September 30, 2010.

**Non Operating Income and Expenses.** We had total non-operating expenses of \$106,440 for the three months ended September 30, 2010, a change of \$283,756 compared to income of \$177,316 for the three months ended September 30, 2009. Other income (expense) was \$(61,531) for the three months ended September 30, 2010 compared to \$(503) for the three months ended September 30, 2009. Also included in non-operating income (expense) for the three months ended September 30, 2009 is again of \$177,826 related to equity income of an investment that we accounted for under the equity method. During the three months ended September 30, 2010, we did not incur any gains or losses related to equity income in investment.

#### Nine Months Ended September 30, 2010 as Compared to Nine Months Ended September 30, 2009

**Revenue.** We generated revenue of \$5,661,715 for the nine months ended September 30, 2010, an increase of \$2,415,259 or 74%, compared to \$3,246,456 for the nine months ended September 30, 2009. The increase in revenue is primarily attributable to the overall recovery of the economic environment and the launch of new products in May 2010.

**Gross Profit.** We achieved a gross profit of \$1,437,551 for the nine months ended September 30, 2010, an increase of \$911,340 or 173%, compared to \$526,211 for the nine months ended September 30, 2009. Gross margin (gross profit as a percentage of revenues), was 25% for the nine months ended September 30, 2010, compared to 16% for the nine months ended September 30, 2009. The increase in the gross margin percentage was primarily attributable to the higher profit margins due to higher profit margins on new products.

**Selling Expenses.** Aggregated selling expenses accounted for \$372,021 of our operating expenses for the nine months ended September 30, 2010, an increase of \$329,087 or 766%, compared to \$42,934 for the nine months ended September 30, 2009. The increase in our aggregated selling expenses is primarily attributable to an increase in marketing promotion and advertising programs.

**General and Administrative Expenses** General and administrative expenses accounted for \$2,418,410 of our operating expenses for the nine months ended September 30, 2010, an increase of \$1,623,524 or 204%, compared to \$794,886 for the nine months ended September 30, 2009. The increase in general and administrative expenses is primarily attributable to a bad debt expense in 2010 compared to 2009. During the nine months ended September 30, 2009, the Company recorded a bad debt expense of \$104,254 compared to a charge to bad debts of \$897,017 for the nine months ended September 30, 2010. Also, included in general and administrative expenses is the write off of a deposit for \$735,500 for the nine months ended September 30, 2010.

**Non Operating Income and Expenses.** We had total non-operating expense of \$139,518 for the nine months ended September 30, 2010, a change of \$411,008 compared to income of \$271,490 for the nine months ended September 30, 2009. Other income (expense) was \$(81,372) for the nine months ended September 30, 2010 compared to \$(1,787) for the nine months ended September 30, 2009. Also included in non-operating income (expense) for the nine months ended September 30, 2009 is a loss of \$211,639 related to a loss on the sale of investment and a gain of \$484,728 related to equity income of an investment that we account for under the equity method. During the nine months ended September 30, 2010, we did not incur any gains or losses related to the sale on investment or equity income in investment.

#### 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.

On March 19, 2010, we obtained a bank loan for 10,000,000 RMB (approximately \$1,437,000). The loan has an 8.1% annual interest rate, matures on March 19, 2012 and is secured by our land and production facility.



As of September 30, 2010, we had \$3,603,356 of cash and cash equivalents compared to \$4,824,135 as of December 31, 2009.

#### Cash Flows

**Operating.** We used \$1,277,511 of cash for operating activities for the nine months ended September 30, 2010 compared to \$643,097 for the nine months ended September 30, 2009.

**Investing.** Our investing activities used \$1,490,002 of cash for the nine months ended September 30, 2010, compared to \$720,369 of cash provided by investing activities for the nine months ended September 30, 2009. The increase is primarily attributable to the increase in loan receivables of \$1,471,000.

**Financing.** Our financing activities provided \$1,471,000 of cash from a long term bank financing for the nine months ended September 30, 2010 compared to no cash provided by financing activities for the nine months ended September 30, 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 September 30, 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 September 30, 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 had 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 nine months ended September 30, 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 material weakness 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 September 30, 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.

In addition to the above mentioned deficiencies, in the third quarter of 2010, as a result of comments raised by the SEC, we determined that accounting errors were made in our revenue recognition procedures which have resulted in the restatement of our previously issued financial statements.

#### Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during our thirdquarter 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.

20

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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: February 16, 2011

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

Dated: February 16, 2011

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