U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ **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 number: 001-13467

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

Virginia (State or other jurisdiction of incorporation or organization)	**54-1641133** (I.R.S. Employer Identification No.)

718 Grove Road
Midlothian, VA 23114
(Address of principal executive offices)

(804) 464-1601
(Issuer's telephone number)

601 Biotech Drive
Richmond, VA 23235
(Former address of principal executive offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 small 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	☐	Smaller reporting company	☒

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

As of May 13, 2010, 9,906,338 shares of common stock, no par value per share, of the registrant were outstanding.

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COMMONWEALTH BIOTECHNOLOGIES, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

COMMONWEALTH BIOTECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	$ 433,701	$ 692,092
Investments	438	589
Accounts receivable	732,477	634,604
Other current assets	5,891	3,563
Total current assets	1,172,507	1,330,848
Property and Equipment, net	5,560,356	5,661,225
Other Assets		
Restricted cash	299,939	298,359
Total other assets	299,939	298,359
Total Assets	**$ 7,032,802**	**$ 7,290,432**
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,232,542	$ 1,107,819
Current maturities of long term debt	1,518,543	1,983,478
Other current liabilities	191,633	219,111
Accrued payroll liabilities	351,227	493,681
Interest payable	172,484	177,515
Total current liabilities	3,466,429	3,981,604
Long-term deposit	144,873	144,873
Long-term debt less current maturities	2,385,338	2,454,693
Total long-term liabilities	2,530,211	2,599,566
Total Liabilities	**5,996,640**	**6,581,170**
Commitments and contingencies	—	—
Stockholders equity		
Preferred stock, no par value, 1,000,000 shares authorized - none outstanding	—	—
Common stock, no par value, 100,000,000 shares authorized; March 31, 2010 - 9,906,338 shares December 31, 2009 - 8,791,712 shares issued and outstanding	—	—
Additional paid-in-capital	26,116,191	25,555,878
Other comprehensive income	541,831	520,191
Accumulated deficit	(25,621,860)	(25,366,807)
Total stockholders' equity	1,036,162	709,262
Total Liabilities and Stockholders' Equity	**$ 7,032,802**	**$ 7,290,432**

See accompanying notes to financial statements

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COMMONWEALTH BIOTECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2010	2009
	(Unaudited)	
Revenues		
Commercial contracts	$ 813,682	$ 628,798
Other revenue	11,418	8,040
Total revenues	825,100	636,838
Cost of services		
Direct materials	200,713	160,184
Direct labor	188,123	146,826
Overhead	145,650	205,978
Total cost of services	534,486	512,988
Gross profit	290,614	123,850
Selling, general and administrative	778,732	641,860
Operating loss	(488,118)	(518,010)
Other income (expense)		
Realized gains (losses)	40,936	(68,498)
Interest expense	(65,065)	(190,793)
Rental income	267,389	39,917
Other income (expense)	(10,195)	1,097
Total other income (expense)	233,065	(218,277)
Loss from continuing operations	(255,053)	(736,287)
Loss from discontinued operations	—	(78,816)
Net loss	$ (255,053)	$ (815,103)
Basic and diluted loss per common share from continued operations	$ (0.03)	$ (0.11)
Basic and diluted loss per common share from discontinued operation	$ —	$ (0.01)
Basic and diluted loss per common share after discontinued operation	$ (0.03)	$ (0.12)

See accompanying notes to financial statements

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COMMONWEALTH BIOTECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(Unaudited)	
Cash flows from operating activities:		
Net loss	$ (255,053)	$ (815,103)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	117,818	408,060
Unrealized loss on interest rate swap agreement	—	(37,499)
Foreign currency loss	—	67,571
Stock-based compensation	3,000	114,183
Loss on disposal of equipment	9,862	—
Expenses satisfied with the issuance of stock	93,952	—
Realized loss on investments	—	7,595
Changes in:		
Accounts receivable	(88,329)	291,364
Prepaid expenses and inventory	(2,312)	(14,503)
Accounts payable and other current liabilities	(64,971)	(28,556)
Net cash used in operating activities	(186,033)	(6,888)
Cash flows from investing activities:		
Proceeds from the sale of investments	—	28,961
Net cash provided by investing activities	—	28,961
Cash flows from financing activities:		
Principal payments on long term debt	(71,997)	(64,109)
Issuance of restricted stock	1,000	—
Change in restricted cash	—	1,558
Net cash used in financing activities	(70,997)	(62,551)
Effects of exchange rates	(1,361)	(23,241)
Net decrease in cash and cash equivalents	(258,391)	(63,719)
Cash and cash equivalents, beginning of period	692,092	243,751
Cash and cash equivalents, end of period	$ 433,701	$ 180,032
Supplemental disclosure of cash flow information		
Cash payments for interest	$ 35,600	$ 96,100
Non-cash investing and financing activities		
Debt reduction through issuance of stock	$ 462,000	$ —
Purchase of equipment through capital lease	$ —	$ 130,000

See accompanying notes to financial statements

NOTE 1. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis which contemplates realization of assets and satisfaction of liabilities in the normal course of business. If the Company is unable to improve operating results and meet its debt obligations, it may have to cease operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Losses for the Company were $255,053 and $815,103 for the quarters ended March 31, 2010 and 2009, respectively. For the quarters ended March 31, 2010 and 2009, losses from continuing operations were $255,053 and $736,287, respectively. Losses resulting from the discontinued operations were $0 and $78,816 for the quarters ended March 31, 2010 and 2009, respectively.

The Company generated negative cash flows for the quarters ending March 31, 2010 and 2009 of $258,391 and $63,719, respectively. Net working capital as of March 31, 2010 and 2009 was ($2,293,922) and ($2,650,756), respectively.

The 2010 Quarter reflects cash used in operating activities of $186,033 as compared to cash used in operating activities of $6,888 during the 2009 Quarter. The increase over the prior period resulted from an increase in accounts receivable at Mimotopes and the continued use of the net proceeds from the sale of CBI Services and FIL to reduce accounts payable and other liabilities at the corporate offices. Cash provided by investing activities for the 2010 Quarter was $0 in comparison to cash provided by investing activities of $28,961 in the 2009 Quarter. The Company did not engage in any investing activities during the first quarter of 2010. Cash used in financing activities for the 2010 Quarter was $70,997 as compared to cash used in financing activities of $62,551 in the 2009 Quarter. This increase is primarily a result of increased principal payments on the outstanding mortgage.

The Company also believes that it will be able to satisfy its current debt obligations with the PIPE Investors and Fornova through the issuance of common stock in lieu of cash payment.

The cash position of the Company will remain uncertain for the remainder of 2010. However, the Company will continue to address the immediate needs for cash and liquidity through an aggressive approach on a number of fronts. Fiscal practices have been strictly enforced which restricts all material purchases to service on-going work only and serve to minimize all material inventories. Management will continue adhering to these policies for the foreseeable future.

The lack of adequate cash resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. The Company is actively exploring the availability of varying financial and strategic transactions, which, if consummated, would address the Company’s need to improve its financial condition and/or its operations.

During the first quarter of 2010, the PIPE Investors exercised their options on the principal and interest outstanding in the amount of $496,813 resulting in the issuance of 1,114,626 shares of the Company’s stock. As of March 31, 2010, total principal outstanding to the PIPE Investors was approximately $731,000.

There can be no assurance that any funds required during the next twelve months or thereafter can be generated from operations or that if such required funds are not internally generated that funds will be available from external sources, such as debt or equity financing or other potential sources.

As a result of the above, there is substantial doubt about the Company’s ability to continue as a going concern. The financial statements included in this report do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

The Company’s independent auditors have included a paragraph emphasizing “going concern” in their report on the 2009 financial statements. The financial statements included in this report do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

The Company was formed on September 30, 1992, for the purpose of providing specialized analytical laboratory services for the life scientist. The Company matured, it re-focused its core business activities and provided integrated contract research support in four principal areas; bio-defense; laboratory support services for on-going clinical trials; comprehensive contract projects in the private sector; and through it's FIL division, for paternity testing, forensic case-work analysis and Convicted Offender Data Base Index System work. During 2007, the Company acquired Mimotopes which has developed a number of proprietary and patented technologies and is an industry leader in the synthesis of research grade peptides.

The sale of the assets of CBI's FIL and CBI Services divisions were approved at the 2009 Annual Meeting of Shareholders. These operations were discontinued in November 2009. Results of operations for these two divisions are included as discontinued operations in the statement of operations for the quarter ended March 31, 2009.

Consolidation Policy

The consolidated financial statements include the accounts of CBI and its wholly owned subsidiary, Mimotopes Pty Ltd, Australia. All inter-company accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue upon the completion of laboratory service projects, or upon the delivery of biologically relevant materials that have been synthesized in accordance with project terms. Laboratory service projects are generally administered under fee-for-service contracts or purchase orders. Any revenues from research and development arrangements, including corporate contracts and research grants, are recognized pursuant to the terms of the related agreements as work is performed, or as scientific milestones, if any, are achieved. Product sales are recognized when shipped. Amounts received in advance of the performance of services or acceptance of a milestone, are recorded as deferred revenue and recognized when completed.

Foreign Currency Translation

The Company's consolidated financial statements are reported in U.S. dollars. Assets and liabilities of a foreign subsidiary are translated using rates of exchange as of the balance sheet dates. Related revenues and expenses are translated at average rates of exchange in effect during the periods. Cumulative translation adjustments have been recorded as a separate component within accumulated other comprehensive income (loss) of stockholders' equity. Realized gains and losses from foreign currency translations are included in other income (expense).

Fair Value Measurements

On January 1, 2008, the Company adopted FASB ASC 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances. The adoption of FASB ASC 820 did not have a material effect on the carrying values of the Company's assets.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At times, the Company maintains cash balances in excess of FDIC insured amounts.

Restricted Cash

Restricted cash in CBI represents amounts held in escrow as required under the terms of the Convertible Note due to the PIPE Investors. This money will be used to pay down the debt or, if the note is converted to Common Stock, returned to the Company. The total amount held in escrow at March 31, 2010 was $200,000. Interest income earned on restricted cash is recorded in other interest income.

Restricted cash in Mimotopes represents the amount that is held by a third party in escrow as required under the terms of the Company's land lease agreement. The total amount held in escrow as of March 31, 2010 was $99,939. Interest income earned on restricted cash is recorded in other interest income.

Investments

The Company classifies its investments in securities as available-for-sale. These investments are carried at the estimated fair value, with unrealized gains and losses reported in other comprehensive income (loss). Upon the sale of a security, the realized net gain or loss is reported in results from operations.

Accounts Receivable

The majority of our accounts receivable are due from trade customers. Credit is extended based on evaluation of our customers' financial condition and collateral is not required. Accounts receivable payment terms vary and are stated in the financial statements at amounts due from customers net of an allowance for doubtful accounts. Accounts that are outstanding longer than the payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, customers' current ability to pay their obligations to us, the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed principally by the straight-line method over their estimated useful lives providing depreciation and amortization for financial reporting purposes. The cost of repairs and maintenance is expensed as incurred. The estimated useful lives of the assets are as follows:

Asset	Years
Buildings	39.5
Laboratory and computer equipment	3 – 10
Furniture, fixtures and office equipment	7

Assets under capital lease obligations are recorded at the lesser of the present value of the minimum lease payments or the fair market value of the leased asset, at inception of the lease.

Deferred Financing Fees

Loan costs are amortized on a straight-line basis, which approximates the interest method, over the expected term of the related obligations.

Impairment of Long-Lived Assets

The Company reviews and accounts for the impairment of long-lived assets other than goodwill, including property and equipment and certain other non-current assets in accordance with ASC 360-35, “Accounting for the Impairment or Disposal of Long-Lived Assets”. Long-lived assets besides goodwill are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For long-lived assets other than goodwill that are to be held and used in operations, an impairment is indicated when the estimated total undiscounted cash flow associated with the asset or group of assets is less than carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

Income Taxes

Deferred taxes are provided on the asset and liability method 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.

Loss per Common Share

Basic loss per common share has been computed on the basis of the weighted-average number of common shares outstanding. Common shares which can be issued upon exercise of stock options and warrants have not been included in the computation because their inclusion would have been anti-dilutive. Weighted average shares outstanding for basic and diluted loss per common share were 9,734,795 and 6,648,804 for the three months ended March 31, 2010 and 2009, respectively. (see Note 4).

Employee Stock Plans

The Company adopted a Stock Incentive Plan on June 24, 1997. The Plan provides for granting to employees, officers, directors, consultants and certain other non-employees of the Company options to purchase shares of common stock. A maximum of 410,000 shares of common stock may be issued pursuant to the Plan. Of the maximum number of shares to be issued under the Plan, 270,000 have been reserved for incentive awards to be granted to the founders of the Company, and 140,000 are reserved for incentive awards to be granted to others.

A 2000 Stock Incentive Plan was adopted by the Board of Directors and approved by the shareholders. The Plan makes up to 300,000 shares of common stock available for grants of restricted stock awards and stock options in the form of incentive stock options and non-qualified options to employees, directors and consultants of the Company.

A 2002 Stock Incentive Plan was adopted by the Board of Directors and approved by the shareholders. The Plan makes up to 600,000 shares of common stock available for grants of restricted stock awards and stock options in the form of incentive stock options and non-qualified options to employees, directors and consultants of the Company.

A 2007 Stock Incentive Plan was adopted by the Board of Directors and approved by the shareholders. The Plan makes up to 1,000,000 shares of common stock available for grants of restricted stock awards and stock options in the form of incentive stock options and non-qualified options to employees, directors and consultants of the Company.

A 2009 Stock Incentive Plan was adopted by the Board of Directors and approved by the shareholders. The Plan makes up to 1,000,000 shares of common stock available for grants of restricted stock awards and stock options in the form of incentive stock options and non-qualified options to employees, directors and consultants of the Company.

Incentive awards may be in the form of stock options, restricted stock, incentive stock or tax offset rights. In the case of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended), the exercise price will not be less than 100% of the fair market value of shares covered at the time of the grant, or 110% for incentive stock options granted to persons who own more than 10% of the Company’s voting stock. Options granted under the Plans generally vest over a five-year period from the date of grant and are exercisable for ten years, except that the term may not exceed five years for incentive stock options granted to persons who own more than 10% of the Company’s outstanding common stock.

Recent Accounting Pronouncements

On July 1, 2009, the Accounting Standards Codification became FASB’s officially recognized source of authoritative U.S. generally accepted accounting principles applicable to all public and non-public non-governmental entities, superseding existing FASB, AICPA, EITF and related literature. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative. The switch to the ASC affects the way companies refer to U.S. GAAP in financial statements and accounting policies.

In June 2009, the FASB issued a standard regarding the FASB Accounting Standards Codification and the hierarchy of generally accepted accounting principles, which replaces the standard previously issued by the FASB regarding the hierarchy of generally accepted accounting principles. This standard identifies the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles (“GAAP”) in the United States (the “GAAP hierarchy”). In addition, this standard establishes the FASB Accounting Standard Codification (the “Codification”) as the source of authoritative GAAP recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with GAAP. All guidance contained in the Codification carries an equal level of authority. The initial date of the adoption of this standard was effective for financial statements issued for interim and annual periods ending after June 15, 2009. On June 3, 2009, FASB decided that this standard is effective for interim and annual periods ending after September 15, 2009. The Company adopted this standard during the third quarter of 2009. Its adoption did not have a significant impact on the Company’s results of operations or consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)”, which was primarily codified into FASB ASC Topic 810, “Consolidation”. This standard establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent’s ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. This standard also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company adopted this standard during the first quarter of 2010. Its adoption did not have a significant impact on the Company’s results of operations or consolidated financial statements.

In May 2009, the Financial Accounting Standards Board issued ASC 855-10, formerly SFAS No. 165, “Subsequent Events” (“SFAS 165”). ASC 855-10 establishes principles and requirements for the reporting of events or transactions that occur after the balance sheet date, but before financial statements are issued or are available to be issued. ASC 855-10 is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009. As such, the Company adopted these provisions at the beginning of the interim period ended June 30, 2009. Adoption of ASC 855-10 did not have a material effect on the Company’s consolidated financial statements.

In June 2009, the FASB issued revisions to ASC 860-10, ASC 860-40, ASC 860-50 which enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and the company's continuing involvement in transferred assets. This statement removes the concept of qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires enhanced disclosures to provide financial statement users with greater transparency about transfers of financial assets and a transferor's continuing involvement with transfers of financial assets accounted for as sales. The Company adopted this standard during the first quarter of 2010. Its adoption did not have a significant impact on the Company's results of operations or consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("ASC Topic 320-10-65-1"). ASC Topic 320-10-65-1 establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. It also contains additional disclosure requirements related to debt and equity securities and changes existing impairment guidance under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("ASC Topic 320-10"). For debt securities, the "ability and intent to hold" provision is eliminated, and impairment is considered to be other-than-temporary if an entity (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). This new framework does not apply to equity securities (i.e., impaired equity securities will continue to be evaluated under previously existing guidance). The "probability" standard relating to the collectability of cash flows is eliminated, and impairment is now considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security. ASC Topic 320-10-65-1 also provides that for debt securities which (i) an entity does not intend to sell and (ii) it is not more likely than not that the entity will be required to sell before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into the amount related to estimated credit losses and the amount related to all other factors. The amount of the total impairment related to all other factors is recorded in other comprehensive loss and the amount related to estimated credit loss is recognized as a charge against current period earnings. ASC Topic 320-10-65-1 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("ASC Topic 825-10-65-1"). This FSP relates to fair value disclosures in public entity financial statements for financial instruments that are within the scope of Statement of Financial Accounting Standards No. 107 (ASC Topic 825-10), "Disclosures about Fair Value of Financial Instruments". This guidance increases the frequency of those disclosures, requiring public entities to provide the disclosures on a quarterly basis, rather than annually. FSP 107-1 is effective for interim and annual periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications were made to the consolidated financial statements for the quarter ended March 31, 2009 to conform to the quarter ended March 31, 2010 presentation.

NOTE 3. STOCK OPTIONS

Stock-Based Compensation Plans—Stock-based compensation expense recognized during a period is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the three months ended March 31, 2010 included compensation expense for stock-based awards granted prior to, but not yet exercised as of December 31, 2009, based on the fair value on the grant date.

Stock-based compensation expense related to employee stock options recognized under ASC 718 for the three months ended March 31, 2010 and March 31, 2009 was approximately $3,000 and $17,100, respectively. As of March 31, 2010, total unamortized stock-based compensation cost related to non-vested stock awards was $0.

The total intrinsic value of stock awards (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the three months ended March 31, 2010 was $0. During the three months ended March 31, 2010, the Company did not receive cash from the exercise of stock awards.

The following table sets forth fair value per share information, including related weighted-average assumptions, used to determine compensation cost for our stock awards consistent with the requirements of ASC 718 for the quarters ending March 31, 2010 and 2009.

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Options and warrants outstanding beginning of quarter	757,089	$ 4.43	828,936	$ 5.27
Granted	10,000	0.50	20,000	0.36
Exercised	—	—	—	—
Expired	(252,997)	4.24	—	—
Options and warrants outstanding end of quarter	514,092	$ 4.46	848,936	$ 5.27
Options and warrants exercisable end of quarter	514,092	$ 4.46	828,936	$ 5.07
Weighted-average fair value per option and warrants granted during the quarter		$ 0.48		$ 0.28

The assumptions used to determine the weighted average fair value per option are as follows:

	Three Months Ending March 31, 2010	2009
Assumptions:		
Expected volatility	123.72%	68.52%
Expected annual dividend yield	0.00%	0.00%
Risk free rate of return	3.31%	2.71%
Expected option term (years)	10	10

In conjunction with the PIPE Investors debt, the Company issued Class A warrants to purchase 975,000 shares of common stock at an exercise price of $2.85 per share that expire in May 2013. The fair value of the Class A warrants is $1.79 per share. The fair value of the Class A warrants is calculated using the Black-Scholes method. Assumptions for Class A warrants include the stock asset price at $2.55 and a stock option price of $2.85 with a maturity date of 5 years and effective interest rate of 3.40%. The Company also issued Class B warrants to purchase 243,000 shares of common stock at an exercise price of $5.00 per share. The fair value of the Class B warrants is $0.36 per share. The fair value of the Class B warrants is calculated using the Black-Scholes method.

On September 18, 2008, the Company entered into a modification, waiver and acknowledgement agreement with LH Financial for the convertible debt listed above. Under the modified Agreement, the exercise price of the Class A Warrants was reduced from $2.85 to $0.71 per common share, The fair value of the Class A warrants is $0.74 per share. The fair value of the Class A warrants is calculated using the Black-Scholes method. The exercise price of the Class B Warrants was reduced from $5.00 to $1.01 per common share. The fair value of the Class B warrants is $0.13 per share. The fair value of the Class B warrants is calculated using the Black-Scholes method.

Reduction in the exercise price to $0.50 per common share was approved at the 2009 annual meeting of shareholders.

NOTE 4. LOSS PER SHARE

The Company follows the guidance provided in the ASC Topic 260, which establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. Basic earnings (loss) per common share are computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted per share amounts assume the conversion, exercise or issuance of all potential common stock instruments such as warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share.

	Three Months Ended March 31,	
Basic and diluted loss per share:	**2010**	**2009**
Loss from continuing operations	$ (255,053)	$ (736,287)
Income (Loss) from discontinued operations	—	(78,816)
Net loss	$ (255,053)	$ (815,103)
Basic and diluted loss per common share from continued operations	$ (0.03)	$ (0.11)
Basic and diluted income (loss) per common share from discontinued operations	$ —	$ (0.01)
Basic and diluted loss per common share after discontinued operations	$ (0.03)	$ (0.12)
Weighted averages share outstanding	9,734,795	6,648,804

NOTE 5. COMPREHENSIVE LOSS

The components of comprehensive loss, net of tax, for the three months ended March 31, 2010 and 2009 were as follows:

	Three Months Ended March 31,	
	2010	2009
Net Loss	$ (255,053)	$ (815,103)
Unrealized Gain on Investments	—	133,702
FX Adjustments	21,640	(107,113)
Total Comprehensive Loss	$ (233,413)	$ (788,514)

NOTE 6. INCOME TAXES

The Company adopted the provisions of ASC 810-10 effective January 1, 2007. ASC810-10 provides a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of implementing ASC810-10.

The Company files income tax returns in U.S. federal jurisdiction and the Commonwealth of Virginia. The Company is no longer subject to U.S. or state tax examinations for years before 2005. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

NOTE 7. DEBT

PIPE Investors Agreement

On December 31, 2007 the Company issued $1,950,000 of convertible debt in a subscription agreement between the Company and the PIPE Investors. The debt carries an interest rate of 10% annually and matures in July 31, 2009. Quarterly interest payments may be made in the form of either cash or common stock. The debt may be converted into shares of common stock at a conversion price of $2.00 per share. In conjunction with the debt, the Company also issued Class A warrants to purchase 975,000 shares of common stock at an exercise price of $2.85 per share that expire in May 2013.

The fair value of the Class A warrants is $1.79 per share. The fair value of the Class A warrants is calculated using the Black-Scholes method. Assumptions for Class A warrants include the stock asset price at $2.55 and a stock option price of $2.85 with a maturity date of 5 years and effective interest rate of 3.40%. The Company also issued Class B warrants to purchase 243,750 shares of common stock at an exercise price of $5.00 per share. The fair value of the Class B warrants is $0.36 per share. The fair value of the Class B warrants is calculated using the Black-Scholes method. The debt carries a beneficial conversion feature, which along with the relative fair value of the warrants, resulted in a debt discount of $1,950,000 which was recorded against the convertible debt and offset in additional paid in capital. This discount will be amortized as interest expense over the life of the debt. The Company registered the required minimum number of shares based upon the agreement on April 30, 2008 and will register the remaining shares by as soon as possible as required under the agreement. During the second Quarter of 2008, the Company received notice of conversion of $100,000 of the principle amount of the note which resulted in the issuance of 50,000 shares of common stock.

Modification, Waiver and Acknowledgement Agreement

On September 18, 2008, the Company entered into a modification, waiver and acknowledgement agreement with LH Financial for the convertible debt listed above. Under the modified Agreement, the restructured terms of the Agreement is that the exercise price of the Class A Warrants was reduced from $2.85 to $0.71 per common share, and the exercise price of the Class B Warrants was reduced from $5.00 to $1.01 per common share, subject to further reduction as described in the Transaction Documents. The restructured terms of the Agreement are as follows:

(1) the conversion price for every 33% of remaining principal amount of each Investor's pro rata portion of the Notes was reduced from $2.00 to $0.50 per common share, subject to further reduction as described in the transaction documents:

(2) all interest accrued through March 31, 2008 on the debt shall be paid at a rate of 10% in shares of the Company's common stock and all interest further accrued between April 1, 2008 and September 30, 2008 on the debt shall be paid at the rate of 12% in shares of the Company's common stock: and

(3) the exercise price of the Class A Warrants was reduced from $2.85 to $0.71 per common share, and the exercise price of the Class B Warrants was reduced from $5.00 to $1.01 per common share, subject to further reduction as described in the Transaction Documents.

On June 22, 2009, the registrant completed the issuance of an aggregate principal amount of $369,950 of subordinated notes (the "Notes") convertible into shares of the registrant's common stock, without par value per share ("Common Stock"), to 6 institutional investors (the " PIPE Investors"). The Notes mature on December 31, 2009, and have an interest rate of 8% per annum. The registrant will pay any interest and principal on the maturity date. Prior to maturity, a holder of a Note may convert such Note into shares of the registrant's Common Stock at a conversion price of $0.50 per share. The purchase price for the Notes was paid by the partial surrender of certain outstanding promissory notes and deemed payment of interest in connection therewith. According to the registrant's transfer agent, on June 22, 2009, the registrant had issued and outstanding 7,416,896 shares of common stock. The amount of common stock underlying the Notes represents less than 9.99% of the registrant's issued and outstanding common stock on June 22, 2009. All shares were exercised and no additional interest will be accrued for the rest of the year. Total shares exercised amounted 750,447.

On July 22, 2009, the Company reached an agreement with its PIPE investors to extend for 6 months its convertible note facilities of approximately $1.3M that matured on June 30 and has also received consent to suspend the financial covenants under such note facilities through the 4th Quarter. During this period, obligations under the note will continue to accrue.

Second Modification, Waiver and Acknowledgement Agreement

On October 9, 2009, the second Modification Agreement relating to the above mentioned debt was approved at the 2009 Annual Meeting of Shareholders. The restructured agreement calls for the conversion price for the remaining balance of PIPE notes to be lowered from $2.00 per share to $0.50 per share.

As of March 31, 2010 the outstanding principal balance on the note was $731,258.

In connection with the sale of CBI Services and FIL, the PIPE Investors were issued 250,000 shares of restricted stock.

In December 2009, the Company received an extension of the maturity date until June 30, 2010.

During the year ended December 31, 2009, the Company received notices of conversion for $611,381 in principal and $165,593 in interest resulting in the issuance of 1,696,224 shares of common stock.

During the quarter ended March 31, 2010, the Company received notices of conversion for $462,361 in principal and $34,452 in interest resulting in the issuance of 993,626 shares of common stock.

Fornova Agreement

On September 4, 2008, the Company completed the issuance of a $500,000 convertible promissory note (the "Note") payable to Fornova Pharmaworld Inc. ("Fornova"). The maturity date of the Note was August 29, 2009. The Note has an interest rate of 10% per annum compounded monthly. The Company will pay interest on a monthly basis beginning on September 28, 2008. At any time between October 27, 2008 and August 21, 2009, the Holder may convert the Notes into shares of the Company's Common Stock at a conversion price of $1.01 per share. Additionally, the Note features a call date of January 29, 2009, if exercised, the Holder can call the note in the amount of the outstanding principal balance plus accrued interest. If the Holder's call feature is exercised, the Company would most likely satisfy the debt and accrued interest with common stock.

At the 2009 Annual Meeting of Shareholders, approval was granted to reduce the conversion price from $1.01 per share to $0.50 per share.

This note matured on December 31, 2009.

Mortgage with Financial Institution

The Company's mortgage payable requires meeting certain financial covenants in upcoming periods prior to the scheduled maturity in October 2010. Based on the Company's current financial condition and recent trend of its operating results, it is uncertain as to whether the covenants will be met at which time the lender could call the loan in default. The mortgage includes certain restrictive covenants, which require the Company to maintain minimum levels of the current ratio, debt to net worth and cash flow ratios. At March 31, 2010, the Company was in violation of covenants; however, the Company was granted a waiver of the covenants by the bank through December 31, 2010.

This loan is classified in the consolidated balance sheet at March 31, 2010 as follows:

Current maturities of long term debt	$ 283,020
Long term debt less current maturities	2,385,338
	$ 2,668,358

NOTE 8. JOINT VENTURE

On March 28, 2008 the Company entered into a strategic relationship with VenturePharm Laboratories Limited, a Cayman Islands limited company (VPL) with its principal offices in Beijing, Peoples Republic of China. This relationship is multi-faceted and was entered into following a private transaction between VPL and PharmAust Limited (PAA), an Australian company, whereupon VPL acquired all of the 2.15 million shares of CBI held by PAA as of October 2008.

Coincident with the transaction, CBI entered into a) an Ancillary Agreement with VPL to provide a $1 million put option from CBI to VPL and a $3 million call option from VPL to CBI both at a 10% discount to market with a three year expiration date, b) a Voting Lock Up Agreement to require VPL to vote in favor of all matters brought before the shareholders for a period of six months and to escrow its acquired shares for eighteen months, c) a Registration Rights Agreement to be effective after twenty-four months, and d) a Joint Venture (JV) agreement to establish an unincorporated JV which provides CBI access on a preferred basis to the extensive, low cost capabilities of VPL in China. No expenses were incurred during the quarters ended March 31, 2010 and 2009. No revenues have been generated relating to this joint venture.

Exercise of the Put Option

On July 7, 2008, the Company completed a sale of stock subject to the $1 million put right with VPL. Under the terms of the put agreement, the Company sold 463,426 shares of common stock to VPL at a price of $2.15 per share. In consideration of the sale of shares, the Company received $500,000 in cash and 2,229,664 of VPL's ordinary shares.

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NOTE 9. DISCONTINUED OPERATIONS

At the 2009 Annual Meeting of Shareholders, approval was made to sell the assets of CBI's FIL and CBI

Services Divisions. The sale of these assets to Bostwick was completed in November 2009. As of November 2, 2009, the Company has deconsolidated the operations of these divisions and recorded a loss related to the remaining net investment as a discontinued operation.

The components of the loss from the discontinued operations are as follows:

	Three Months Ended March 31,	
	2010	2009
Revenues	$ —	$ 1,275,900
Cost of services	—	1,148,870
Gross profit	—	127,030
Sales, general and administrative	—	129,911
Operating loss	—	(2,881)
Interest expense	—	75,935
Income (loss) from operating discontinued operations	$ —	$ (78,816)

NOTE 10. TERMINATION OF AGREEMENT WITH BIOSIGNAL LTD.

On July 22, 2009, the Company reached an agreement with Biosignal Ltd., an Australian biotechnology company, pursuant to which Biosignal was to complete a $1,600,000 investment in the Company and would agree to assign its biofilm technology to the Company. The biofilm technology is based around a family of natural products which disrupt bacterial colonization and thereby inhibit growth. Such biofilm disrupters are expected to be commercialized to support a variety of medical and industrial applications.

Pursuant to the terms of a Share Subscription Agreement, Biosignal was to purchase 1,600,000 shares of the Company's common stock, without par value, for the purchase price of $1,600,000, paid in the form of a 12 month unsecured convertible note bearing interest at 10% per annum. To the extent Biosignal obtained shareholder approval, Biosignal could, at its option, convert the note and all accrued interest into the aggregate of 65,339,458 shares of Biosignal.

In addition, the Company and Biosignal were to enter into a Deed of Assignment to which Biosignal would convey certain intellectual property and contracts related to the development and possible exploitation of Biosignal's biofilm technology to the Company subject to the satisfactory completion of due diligence and other conditions. Biosignal would retain licensed rights to use this intellectual property to service some contracts that were not assigned to the company.

This transaction was suspended by the Company and Biosignal in August 2009. On March 19, 2010 the Biosignal shareholders voted not to pursue this transaction.

NOTE 11. DELISTING AND REINSTATEMENT FROM NASDAQ

On July 24, 2009, The NASDAQ Stock Market notified CBI that CBI was to be delisted from the NASDAQ Capital Market as a result of (i) a failure to comply with NASDAQ Listing Rule 5550(b) due to a failure to maintain minimum stockholders' equity of $2.5 million and a failure to file a Form 8-K affirming compliance with Rule 5550(b), (ii) a failure to comply with NASDAQ Listing Rule 5635(a) due to a failure to obtain shareholder approval of an issuance of stock in excess of 20% of the pre-transaction shares outstanding in connection with the structure of a prior agreement with Biosignal, Ltd, an Australian company, and (iii) a failure to comply with NASDAQ Listing Rule 5250(e)(2)(D) due to a failure to timely file a Form LAS for that Biosignal issuance.

After receiving the July 24, 2009 notice, CBI and Biosignal agreed to terminate the earlier agreement and, subsequently, CBI filed a Form LAS in connection with a proposed amended and re-stated Biosignal Transaction thus bringing the company back into compliance with NASDAQ Rules 5635(a) and 5250(e)(2)(D). However, NASDAQ has determined that the Company has not met the requirements of Rule 5550(b). The Company appealed this decision under NASDAQ Rule 5800. The hearing was convened on September 3, 2009. On October 20, 2009, CBI was notified that the Hearing Panel granted the request of CBI to remain listed on The NASDAQ Stock Market through January 20, 2010, subject to the condition that, on or before January 20, 2010, CBI evidence shareholders' equity of at least $2.5 million or demonstrate compliance with one of the alternative listing criteria of NASDAQ Listing Rule 5550(b). Failure to meet the Listing Rule 5550(b) may result in CBI's delisting after such date.

Effective January 25, 2010, the Company's stock began trading on the Pink Sheets under the symbol CBTE.PK.

Effective March 25, 2010, the Company's stock began trading on the OTC Bulletin Board under the symbol CBTE.OB.

Effective January 25, 2010, the Company's stock was delisted from the NASDAQ Capital Market.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the Company's Financial Statements and Notes included herein.

Overview

The Company is a specialized life sciences outsourcing business that offers cutting-edge expertise and a complete array of Peptide based discovery chemistry and biology products and services through Mimotopes Pty Limited ("Mimotopes"), a subsidiary of CBI. In March 2008, the Company entered into a Joint Venture with Beijing-based, Venturepharm Laboratories, Ltd. in order to offer high throughput, low cost drug discovery services through new facilities in China.

In 2009, CBI also provided services through CBI Services and Fairfax Identity Labs ("FIL"), two divisions that were sold to Bostwick Laboratories effective November 2, 2009. The results of operating these two divisions are shown as discontinued operations in the Consolidated Statement of Operations for the quarter ended March 31, 2009.

Business Units

Revenues are derived principally from providing peptide based synthetic and analytical services to researchers in the biotechnology industry or to researchers who are engaged in life sciences research in government or academic labs throughout the world. This arrangement distinguishes CBI from many other biotechnology companies in that revenues are derived from services rather than from the successful commercialization of a new biotechnology product. CBI believes that it has a strong reputation as a leading provider in its respective markets.

The sale of assets relating to CBI Services and Fairfax Identity Laboratories was approved at the 2009 Annual Meeting of Shareholders. This transaction was completed effective November 2, 2009 resulting in net proceeds to the Company of $343,780. These divisions are included as discontinued operations in the Consolidated Statement of Operations.

Melbourne-based Mimotopes was acquired by CBI in 2007. It provides world class research grade peptide synthesis and analysis. They also have several proprietary technologies for the preparation of peptide and small molecule libraries for drug discovery and for epitope analysis in support of its clients' vaccine development programs. They also have a formal peptide alliance with Genzyme Pharmaceuticals, a world class provider of GMP pharmaceutical grade peptides and also enjoy a strong relationship with GL Biochem, a Shanghai-based peptide synthesis and reagent company.

In March 2008, CBI entered into a Joint Venture with Beijing based Venturepharm Laboratories, Inc. As of March 31, 2010, no revenues have been generated from this joint venture.

Going Concern

The accompanying financial statements have been prepared on a going concern basis which contemplates realization of assets and satisfaction of liabilities in the normal course of business. If the Company is unable to improve operating results and meet its debt obligations, it may have to cease operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Losses for the Company were $255,053 and $815,103 for the quarters ended March 31, 2010 and 2009, respectively. For the quarters ended March 31, 2010 and 2009, losses from continuing operations were $255,053 and $736,287, respectively. Losses resulting from the discontinued operations were $0 and $78,816 for the quarters ended March 31, 2010 and 2009, respectively.

The Company generated negative cash flows for the quarters ending March 31, 2010 and 2009 of $258,391 and $63,719, respectively. Net working capital as of March 31, 2010 and 2009 was ($2,293,922) and ($2,650,756), respectively.

The 2010 Period reflects cash used in operating activities of $186,033 as compared to cash used in operating activities of $6,888 during the 2009 Period. The increase over the prior period resulted from an increase in accounts receivable at Mimotopes and the continued use of the net proceeds from the sale of CBI Services and FIL to reduce accounts payable and other liabilities at the corporate offices. Cash provided by investing activities for the 2010 Period was $0 in comparison to cash provided by investing activities of $28,961 in the 2009 Period. The Company did not engage in any investing activities during the first quarter of 2010. Cash used in financing activities for the 2010 Period was $70,997 as compared to cash used in financing activities of $62,551 in the 2009 Period. This increase is primarily a result of increased principal payments on the outstanding mortgage.

The Company also believes that it will be able to satisfy its current debt obligations with certain institutional investors (the "PIPE Investors") and Fornova through the issuance of common stock in lieu of cash payment.

The cash position of the Company will remain uncertain for the remainder of 2010. However, the Company will continue to address the immediate needs for cash and liquidity through an aggressive approach on a number of fronts. Fiscal practices have been strictly enforced which restricts all material purchases to service on-going work only and serve to minimize all material inventories. Management will continue adhering to these policies for the foreseeable future.

The lack of adequate cash resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. The Company is actively exploring the availability of varying financial and strategic transactions, which, if consummated, would address the Company's need to improve its financial condition and/or its operations.

During the first quarter of 2010, the PIPE Investors exercised it options on the principal and interest outstanding in the amount of $496,813 resulting in the issuance of 1,114,626 shares of the Company's stock. As of March 31, 2010, total principal outstanding to the PIPE Investors was approximately $731,000.

There can be no assurance that any funds required during the next twelve months or thereafter can be generated from operations or that if such required funds are not internally generated that funds will be available from external sources, such as debt or equity financing or other potential sources.

As a result of the above, there is substantial doubt about the Company's ability to continue as a going concern. The financial statements included in this report do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

The Company's independent auditors have included a paragraph emphasizing "going concern" in their report on the 2009 financial statements. The financial statements included in this report do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

Results of Operations

Three Months Ended March 31, 2010 Compared with Three Months Ended March 31, 2009.

Revenues

Continuation of existing projects or engagement for future projects is usually dependent upon the customer's satisfaction with the scientific results provided in initial phases of the scientific program. Continuation of existing projects or engagement of future projects also often depends upon factors beyond the Company's control, such as the timing of product development and commercialization programs of the Company's customers. The combined impact of commencement and termination of research contracts from several large customers and unpredictable fluctuations in revenue for laboratory services can result in very large fluctuations in financial performance.

Total revenues increased by $188,262, or 29.6%, from $636,838 during the first Quarter of 2009 (the "2009 Quarter") to $825,100 during the first Quarter of 2010 (the "2010 Quarter").

Revenues realized from commercial contracts increased by $184,884, or 29.4%, from $628,798 in the 2009 Quarter to $813,682 in the 2010 Quarter. This increase was primarily the result of Mimotopes receiving two large pepset contracts in late 2009. The gross amount of these contracts is approximately $438,000.

Cost of Services

Cost of services consists primarily of costs associated with direct materials, direct labor and overhead. Cost of services increased by $21,498, or 4.2%, from $512,988 in the 2009 Quarter to $534,486 in the 2010 Quarter. Cost of services as a percentage of revenue decreased from 80.6% in the 2009 Quarter to 64.8% in the 2010 Quarter.

Direct materials increased by $40,529, or 25.3%, from $160,184 in the 2009 Quarter to $200,713 in the 2010 Quarter. The cost of direct materials as a percentage of revenue remained relatively flat at 24.3% and 25.2% for the 2010 Quarter and 2009 Quarter, respectively. This increase correlates to the increases in the related revenue accounts.

Direct labor increased by $41,297, or 28.1%, from $146,826 in the 2009 Quarter to $188,123 in the 2010 Quarter. The cost of direct labor as a percentage of revenue remained relatively flat at 22.8% and 23.1% for the 2010 Quarter and 2009 Quarter, respectively. This increase correlates to the increases in the related revenue accounts.

Overhead represents costs such as indirect labor, depreciation, freight charges, repairs and miscellaneous supplies indirectly related to a particular project. Overhead decreased by $60,328, or 29.3%, from $205,978 in the 2009 Quarter to $145,650 in the 2010 Quarter. The cost of overhead as a percentage of revenue decreased from 32.3% in the 2009 Quarter to 17.7% in the 2010 Quarter. This decrease is primarily a result of decreases in vacation expense of $7,200, decreases in facility and equipment maintenance of $33,500, decreases in postage of $7,900 and decreases in courier expense of $7,900. These decreases are a direct result of plans implemented by management in 2009 to control and reduce operating costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (“SGA”) consist primarily of compensation and related costs for administrative, marketing and sales personnel, facility expenditures, professional fees, consulting, taxes, and depreciation.

Total SGA costs increased by $136,872, or 21.3%, from $641,860 in the 2009 Quarter to $778,732 in the 2010 Quarter. The cost of SGA as a percentage of revenue decreased from 100.8% in the 2009 Quarter to 94.4% in the 2010 Quarter.

Total selling and marketing costs decreased by $25,072, or 30.7%, from $81,705 in the 2009 Quarter to $56,633 in the 2010 Quarter. This decrease is primarily due to the reorganization of the sales and marketing team.

Total general and administrative expenses increased by $161,944, or 28.9%, from $560,155 in the 2009 Quarter to $722,099 in the 2010 Quarter. This increase was primarily a result of increases in facility related expenses of $40,926, increases in depreciation expense of $43,139, increases in equipment maintenance costs of $24,063, increases in fees for professional services of $24,828 and increases in office related expenses of $14,328, combined with a loss on asset disposals of $9,861. The increase in depreciation expense is the result of depreciation expense for the Richmond, Virginia lab and office space being allocated to overhead accounts of CBI Services and FIL for the 2009 quarter. For the 2010 Quarter, these expenses were charged to corporate administrative costs.

Other Income (Expenses)

Rental income increased $227,472, or 569.9% from $39,917 during the 2009 Quarter to $267,389 in the 2010 Quarter. This increase is primarily the result of the lease of the Richmond, VA office and laboratory space to Bostwick Laboratories which produced rental income of approximately $168,000 for the quarter ending March 31, 2010. This lease commenced in November 2009. In addition, Mimotopes leases excess lab and warehouse space. One of these tenants increased the amount of space leased which increased the monthly rental income by approximately $14,000 per month during the first quarter of 2010 as compared the first quarter of 2009.

Interest expense decreased by $125,728, or 65.9%, from $190,793 in the 2009 Quarter to $65,065 in the 2010 Quarter. This decrease is primarily the result of a decrease in debt amortization included in interest expense. These costs were fully amortized during 2009 resulting in no impact on interest expense for the 2010 Quarter. Interest expense for 2010 includes debt amortization of $170,667.

Realized gains increased $109,934, or 159.8%, from a loss of $68,498 in the 2009 Quarter to a gain of $40,936 in the 2010 Quarter. These gains represent the foreign exchange impact of Mimotopes receiving payment from customers and making payment to vendors in currency other than Australian Dollars.

Discontinued Operations

At the 2009 Annual Meeting of Shareholders, approval was made to sell the assets of CBI’s FIL and CBI Services Divisions. The sale of these assets to Bostwick was completed in November 2009. As of November 2, 2009, the Company has deconsolidated the operations of these divisions and recorded a loss related to the remaining net investment as a discontinued operation. The loss from operating these divisions during the 2009 Quarter has been reclassified to discontinued operations in the Consolidated Income Statement.

Liquidity and Capital Resources

Operating, Investing and Financing Activities

Losses for the Company were $255,053 and $815,103 for the quarters ended March 31, 2010 and 2009, respectively. For the quarters ended March 31, 2010 and 2009, losses from continuing operations were $255,053 and $736,287, respectively. Losses resulting from the discontinued operations were $0 and $78,816 for the quarters ended March 31, 2010 and 2009, respectively.

The Company generated negative cash flows for the quarters ending March 31, 2010 and 2009 of $258,391 and $63,719, respectively. Net working capital as of March 31, 2010 and 2009 was ($2,293,922) and ($2,650,756), respectively.

The 2010 Quarter reflects cash used in operating activities of $186,033 as compared to cash used in operating activities of $6,888 during the 2009 Quarter. The increase over the prior period resulted from an increase in accounts receivable at Mimotopes and the continued use of the net proceeds from the sale of CBI Services and FIL to reduce accounts payable and other liabilities at the corporate offices. Cash provided by investing activities for the 2010 Quarter was $0 in comparison to cash provided by investing activities of $28,961 in the 2009 Quarter. The Company did not engage in any investing activities during the first quarter of 2010. Cash used in financing activities for the 2010 Quarter was $70,997 as compared to cash used in financing activities of $62,551 in the 2009 Quarter. This increase is primarily a result of increased principal payments on the outstanding mortgage.

The Company also believes that it will be able to satisfy its current debt obligations with the PIPE Investors and Fornova through the issuance of common stock in lieu of cash payment.

The cash position of the Company will remain uncertain for the remainder of 2010. However, the Company will continue to address the immediate needs for cash and liquidity through an aggressive approach on a number of fronts. Fiscal practices have been strictly enforced which restricts all material purchases to service on-going work only and serve to minimize all material inventories. Management will continue adhering to these policies for the foreseeable future.

The lack of adequate cash resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. The Company is actively exploring the availability of varying financial and strategic transactions, which, if consummated, would address the Company’s need to improve its financial condition and/or its operations.

During the first quarter of 2010, the PIPE Investors exercised their options on the principal and interest outstanding in the amount of $496,813 resulting in the issuance of 1,114,626 shares of the Company’s stock. As of March 31, 2010, total principal outstanding to the PIPE Investors was approximately $731,000.

There can be no assurance that any funds required during the next twelve months or thereafter can be generated from operations or that if such required funds are not internally generated that funds will be available from external sources, such as debt or equity financing or other potential sources.

Overall Liquidity

There can be no assurance that any funds required during the next twelve months or thereafter can be generated from operations or that if such required funds are not internally generated that funds will be available from external sources, such as debt or equity financing or other potential sources.

As a result of the above, there is substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

The Company’s independent auditors have included a paragraph emphasizing “going concern” in their report on the 2009 financial statements. The financial statements included in this report do not include any adjustments relating to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

Critical Accounting Policies

A summary of the Company's critical accounting policies follows:

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue upon the completion of laboratory service projects, or upon the delivery of biologically relevant materials that have been synthesized in accordance with project terms. Laboratory service projects are generally administered under fee-for-service contracts or purchase orders. Any revenues from research and development arrangements, including corporate contracts and research grants, are recognized pursuant to the terms of the related agreements as work is performed, or as scientific milestones, if any, are achieved. Product sales are recognized when shipped. Amounts received in advance of the performance of services or acceptance of a milestone, are recorded as deferred revenue and recognized when completed.

Impairment of Long-Lived Assets

The Company reviews and accounts for the impairment of long-lived assets other than goodwill, including property and equipment and certain other non-current assets in accordance with ASC 360-35, "Accounting for the Impairment or Disposal of Long-Lived Assets". Long-lived assets besides goodwill are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For long-lived assets other than goodwill that are to be held and used in operations, an impairment is indicated when the estimated total undiscounted cash flow associated with the asset or group of assets is less than carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

Corporate Guidance

As a consequence of the Sarbanes-Oxley Act and rules approved by The Securities and Exchange Commission (SEC), CBI implemented the following:

- CBI's Board is composed of four independent and three Insider directors.
- Only independent directors serve on the three principal committees: Audit, Compensation and Nominating.
- The independent directors meet in executive session at each regularly scheduled Board meeting.
- All the independent directors, Mr. Samuel P. Sears, Mr. James Causey, and Mr. Eric V. Tao who serve on the Audit Committee, meet all of the requirements as defined by the SEC for being a "financial expert."
- The Audit Committee reviews and approves all related-party transactions. CBI has adopted a formal Corporate Code of Conduct. Copies are available on request from the Company or on the Company's website at www.cbi-biotech.com.

Forward Looking Statements

Management has included herein certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used, statements that are not historical in nature, including the words "anticipated", "estimate", "should", "expect", "believe", "intend", and similar expressions are intended to identify forward-looking statements. Such statements are, by their nature, subject to certain risks and uncertainties.

Among the factors that could cause the actual results to differ materially from those projected are the following:

- business conditions and the general economy,
- the development and implementation of the Company's long-term business goals,
- federal, state, and local regulatory environment,
- lack of demand for the Company's services,
- the ability of the Company's customers to perform services similar to those offered by the Company "in-house,"

- potential cost containment by the Company's customers resulting in fewer research and development projects,
- the Company's ability to receive accreditation to provide various services, including, but not limited to paternity testing
- the Company's ability to hire and retain highly skilled employees,
- the Company's ability to raise additional equity financing, and
- the Company's inability to pay debt obligations.

Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected are detailed from time to time in reports filed by the Company with the Securities and Exchange Commission, including Forms 8-K, 10-Q, and 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4/4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Operating Officer and Acting Principal Financial Officer (principal executive officer and principal financial officer, respectively) have concluded based on their evaluation as of March 31, 2010 that the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15c) under the Securities Act of 1934, as amended ("Exchange Act") were not effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by the Company under the Exchange Act is accumulated, recorded, processed, summarized and reported to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding whether or not disclosure is required.

Changes in Internal Control over Financial Reporting

In connection with the preparation of this Form 10-Q, management identified deficiencies in the design or operation of its internal controls that resulted in a material weakness. The material weakness was due to insufficient resources in the accounting and finance department resulting in ineffective review and preparation of its condensed consolidated financial statements including an inability to account properly for complex transactions.

A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's management and Audit Committee are assessing the necessary resources required to properly prepare and review the financial statements. The resources being reviewed include additional staffing and/or identifying outside consultants to assist management in the preparation of the condensed consolidated financial statements.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity in Securities and Use of Proceeds

Not applicable. All sales of securities of the company during the period covered by this report have been previously reported on Form 8-K.

Item 3. Defaults upon Senior Securities

Not applicable. The company has not been notified of any material default that remained uncured within 30 days after notification, other than as may have been disclosed on a report on Form 8-K.

Item 4. (Removed and Reserved)

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation (1)
3.2	Articles of Amendment (2)
3.3	Third Amended and Restated Bylaws (3)
4.1	Form of Common Stock Certificate (1)
10.1	First Amended and Restated Employment Agreement for Richard J. Freer, Ph.D. (4)
10.2	First Amendment to First Amended and Restated Employment Agreement between the Company and Richard J. Freer, Ph.D. (5)
10.3	Second Amendment to First Amended and Restated Employment Agreement for Richard J. Freer, Ph.D. (6)
10.4	Subscription Agreement, dated as of December 31, 2007, by and between the Company and LH Financial (7)
10.5	Ancillary Agreement, dated as of March 28, 2008, by and between the Company and Venturepharm Laboratories Limited (8)
10.6	Convertible Promissory Note, dated as of August 29, 2008, from the Company to Fornova Pharmaworld Inc. (9)
10.7	Modification, Waiver and Acknowledgement Agreement, dated September 18, 2008, by and between the Company and LH Financial (10)
10.8	Convertible Promissory Note, dated as of June 22, 2009, from the Company to LH Financial (11)
10.9	Subscription Agreement, dated as of June 22, 2009, between the Company and LH Financial (11)
10.10	Second Modification, Waiver and Acknowledgement Agreement, dated as of July 9, 2009, between the Company and LH Financial (12)
10.11	Asset Purchase Agreement, dated as of July 16, 2009, between the Company and Bostwick Laboratories, Inc. (13)
10.12	Lease Agreement, dated as of July 16, 2009, between the Company and Bostwick Laboratories, Inc. (13)
10.13	Non-Competition Agreement, dated as of July 16, 2009, between the Company and Bostwick Laboratories, Inc. (13)
10.14	First Modification, Waiver and Acknowledgement Agreement, between the Company and Fornova, dated as of August 29, 2009 (14)
10.15	Share Exchange Agreement, between the Company and GL Biochem (Shanghai) Ltd and the shareholders thereof, dated as of September 1, 2009 (15)
31.1	Certification of Richard J. Freer, Ph.D. (16)
31.2	Certification of Vincent McNelley (16)
32.1	Section 906 Certification of Richard J. Freer, Ph.D. (16)
32.2	Section 906 Certification of Vincent McNelley (16)

(1) Incorporated by reference to the Company's Registration Statement on Form SB-2, Registration No. 333-31731.
(2) Incorporated by reference to the Company's Current Report on Form 8-K, dated October 29, 2007, File No. 001-13467.
(3) Incorporated by reference to the Company's Current Report on Form 8-K, dated March 29, 2007, File No. 001-13467.
(4) Incorporated by reference to the Company's Current Report on Form 8-K, dated June 28, 2005, File No. 001-13467.
(5) Incorporated by reference to the Company's Current Report on Form 8-K, dated August 15, 2005, File No. 001-13467.
(6) Incorporated by reference to the Company's Current Report on Form 8-K, dated March 31, 2006, File No. 001-13467.
(7) Incorporated by reference to the Company's Current Report on Form 8-K, dated January 8, 2008, File No. 001-13467.
(8) Incorporated by reference to the Company's Current Report on Form 8-K, dated April 2, 2008, File No. 001-13467.
(9) Incorporated by reference to the Company's Current Report on Form 8-K, dated September 10, 2008, File No. 001-13467.
(10) Incorporated by reference to the Company's Current Report of Form 8-K, dated September 24, 2008, File No. 001-13467.
(11) Incorporated by reference to the Company's Current Report of Form 8-K, dated June 22, 2009, File No. 001-13467.
(12) Incorporated by reference to the Company's Current Report of Form 8-K, dated July 14, 2009, File No. 001-13467.
(13) Incorporated by reference to the Company's Current Report of Form 8-K, dated July 16, 2009, File No. 001-13467.
(14) Incorporated by reference to the Company's Current Report of Form 8-K, dated September 2, 2009, File No. 001-13467.
(15) Incorporated by reference to the Company's Current Report of Form 8-K, dated September 1, 2009, File No. 001-13467.
(16) Filed herewith.

COMMONWEALTH BIOTECHNOLOGIES, INC.

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.

COMMONWEALTH BIOTECHNOLOGIES, INC.

By: /S/ VINCENT MCNELLEY
Vincent McNelley
Acting Principal Financial Officer

Exhibit 31.1

CERTIFICATION

I, Richard J. Freer, Ph.D., certify that:

(1) I have reviewed this Quarterly report on Form 10-Q of Commonwealth Biotechnologies, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 13, 2010

/s/ Richard J. Freer, Ph.D.
Richard J. Freer, Ph.D.
Chief Operating Officer

Exhibit 31.2

CERTIFICATION

I, Vincent B. McNelley, certify that:

(1) I have reviewed this Quarterly report on Form 10-Q of Commonwealth Biotechnologies, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 13, 2010

/s/ Vincent B. McNelley
Vincent B. McNelley
Acting Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Commonwealth Biotechnologies, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2010 as filed with the Securities and Exchange Commission on May 13, 2010 (the "Report"), I, Richard J. Freer, Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 13, 2010

/s/ Richard J. Freer, Ph.D.
Richard J. Freer, Ph.D
Chief Operating Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Commonwealth Biotechnologies, Inc. (the "Company") on Form 10-Q for the Quarter ending March 31, 2010 as filed with the Securities and Exchange Commission on May 13, 2010 (the "Report"), I, Vincent McNelley, Acting Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 13, 2010

/s/ Vincent McNelley
Vincent McNelley
Acting Principal Financial Officer and Acting Principal Accounting Officer