CHAMPIONS BIOTECHNOLOGY, INC.
Form 10-K
July 28, 2010

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

Mark One

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

For the fiscal year ended April 30, 2010

OR

o **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 0-17263

CHAMPIONS BIOTECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	52-1401755
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

855 N. Wolfe Street, Suite 619, Baltimore, MD 21205
(Address of principal executive offices, including zip code)
(410) 369-0365
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.001 per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

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 þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of the registrant s knowledge, or in any definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K. o

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

Large accelerated filer o Accelerated filer o

Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company þ

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

The Company s common stock is listed on the Over-The-Counter (OTC) Bulletin Board under the stock ticker symbol CSBR. The aggregate market value of the registrant s common stock held by non-affiliates of the Registrant based on the average bid and asked price on October 31, 2009, was approximately $8,903,000.

As of July 28, 2010, the Registrant had a total of 35,701,996 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

TABLE OF CONTENTS

Table of Contents

As used in this Annual Report on Form 10-K, Champions Biotechnology, Champions, Company, , we, ours, refer to Champions Biotechnology, Inc. and its subsidiaries, except where the context otherwise requires or as otherwise indicated.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchanges Act) that inherently involve risk and uncertainties. The Company generally uses words such as believe, may, could, will, intend, estimate, anticipate, plan, likely, should and similar expressions to identify forward-looking statements. Forward-look statements in this Annual Report include statements about our business strategies and product and services development activities, including the anticipated benefits and risks associated with those strategies as well as statements about the sufficiency of our capital resources. One should not place undue reliance on these forward-looking statements. The Company s actual results could differ materially from those anticipated in the forward-looking statements. Although the Company believes the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and the Company s future results, levels of activity, performance or achievements may not meet these expectations. The Company does not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in the Company s expectations, except as required by law. As a result of these and other factors, our stock price may fluctuate dramatically.

PART I

Item 1. Business.

Current Business

In February 2007, the Company acquired the patent rights to two Benzoylphenylurea (BPU) sulfur analog compounds (SG410). On May 18, 2007, the Company acquired Biomerk, Inc. by issuing 4,000,000 unregistered shares of our common stock to Biomerk shareholders. Since that time, the Company s business is the development of advanced preclinical platforms and predictive tumor specific data to enhance and accelerate the value of oncology drugs. The Company s preclinical platform is a novel approach based upon the implantation of primary human tumors (in vivo) in immune deficient mice followed by propagation of the resulting xenografts (Biomerk Tumorgrafts) in a manner that preserves the biological characteristics of the original human tumor. The Company believes that Biomerk Tumorgrafts closely reflect human cancer biology and their response to drugs is more predictive of clinical outcomes in cancer patients. The Company is building its Biomerk Tumorgraft platform through the procurement, development and characterization of numerous Tumorgrafts within several types of cancers. Tumorgrafts are procured through agreements with institutions in the United States and Europe and developed and tested through an agreement with a United States based preclinical contract research organization.

Table of Contents

We intend to leverage our preclinical platform to evaluate oncology drug compounds and to develop a portfolio of novel drug compounds that we intend to develop through preclinical trials. As drugs progress through this early stage of development, the Company plans to sell, partner or license such drugs to pharmaceutical and/or biotechnology companies. We believe this strategy will enable the Company to leverage the competencies of these partners or licensees to maximize the Company s return on investment in a time frame that is shorter than for traditional drug development. The Company believes that the use of our Tumorgraft models in the preclinical development of oncology drugs is unlike that of many other biotechnology companies that look to bring the process of drug development through all phases of discovery, development, regulatory approvals, and marketing, which requires a very large financial commitment and a long development period, typically more than a decade, to commercialize. Thus far we have acquired four drug compounds through purchase, exclusive worldwide licensing and/or option agreements. Of our four drug compounds, we have begun preclinical testing of three and expect to start testing the fourth compound in the first or second quarter of fiscal 2011. If results are promising for any of our drug compounds it is our intention to continue preclinical development and then sell, partner, or license the drug compound for its remaining clinical development.

The Company also offers its Biomerk Tumorgraft predictive preclinical platform and tumor specific data to other biotechnology and pharmaceutical companies who use this information to enhance their drug development pipeline through the evaluation of oncology drugs in a platform that integrates predictive testing with biomarker discovery. We provide Personalized Oncology Services (POS) to physicians in the field of oncology by establishing and administering expert medical information panels for their patients to analyze medical records and test results, to assist in understanding conventional and experimental options and to identify and arrange for testing, analysis and study of the patients cancer tissues, as appropriate. Additionally, Champions offers Personalized Tumorgraft development and drug studies as part of its POS whereby physicians can evaluate the effects of cancer drugs on their patients tumorgrafts enabling them to better select treatment regimens that may be efficacious to the patient. For the year ended April 30, 2010, our revenues from POS totaled $3,206,000, a decrease of 2% from the previous year.

During the fiscal year ended April 30, 2009, as we expanded our number of Biomerk Tumorgraft models, we began to offer leading pharmaceutical and biotechnology companies the benefits of our Biomerk Tumorgrafts for their preclinical evaluation programs. We provide Preclinical eValuation services (PCE) that we believe are more predictive of clinical outcomes and that might provide for a faster and less expensive path to drug approval. These services utilize Biomerk Tumorgrafts to evaluate tumor sensitivity/resistance to various single, combination standard and novel chemotherapy agents. The Preclinical eValuation services also include biomarker discovery and the identification of novel drug combinations. The Company began deriving revenues from its PCE services in fiscal 2009 and completed its first full year of business in fiscal 2010. During the fiscal year 2010, the Company saw its PCE services business bring in new customers and follow on business from previous customers. For the year ended April 30, 2010, our revenues from PCE services totaled $1,687,000, an increase of 290% over the previous year.

Operations

For the fiscal year ended April 30, 2010, the Company generated operating revenue of $4,893,000, comprised of $3,206,000 from Personalized Oncology services and $1,687,000 Preclinical eValuation services, an overall increase of 32% over our revenues for the fiscal year ended April 30, 2009.

Table of Contents

Competition

Competition in the biotechnology industry is intense and based significantly on scientific, technological and market forces. These factors include the availability of patent and other protection for technology and products, the ability to commercialize technological developments and the ability to obtain government approval for testing, manufacturing and marketing. The Company faces significant competition from other biotechnology companies in the United States and abroad. The majority of these competitors are and will be substantially larger than the Company, and have substantially greater resources and operating histories. There can be no assurance that developments by other companies will not render our products or technologies obsolete or noncompetitive or that we will be able to keep pace with the technological or product developments of our competitors. These companies, as well as academic institutions, governmental agencies and private research organizations also compete with us in recruiting and retaining highly qualified scientific, technical and professional personnel and consultants.

Our Preclinical Biomerk Platform is proprietary and requires significant know-how to both initiate and operate, but is not patented. It is, therefore, possible for competitors to develop other implantation procedures or to discover the same procedures utilized by the Company that could compete with the Company in its market.

Patent Applications

It is the Company s intention to protect its proprietary property through the filing of United States and international patent applications, both broad and specific, where necessary and reasonable. In February 2007, the Company acquired the patent rights to two BPU sulfur analog compounds that have shown promising potent activity against in vitro and in vivo models of prostate and pancreatic cancer. The acquired rights include pending United States Patent Application no. 11/673,519 and corresponding international patent application (PCT/US2006/014449) filed under the Patent Cooperation Treaty (PCT), both entitled Design and Synthesis of Novel Tubulin Polymerization Inhibitors: Benzoylphenylurea Sulfur Analogs. In October 2009, the United States Patent Office and Trademark office issued United States Patent 7,595,326 entitled Synthesis of Novel Tubulin Polymerzation Inhibitors: Benzoylphenylurea (9BPU) Sulfur Analogs .

Research and Development

For the fiscal years ended April 30, 2010 and 2009, the Company spent approximately $2,695,000 and $1,721,000, respectively, on research and development to develop our preclinical platform and expand our Preclinical eValuation Platform. The increase from 2009 to 2010 was primarily related to the development of the platform and costs associated with our licensing and development efforts of our four drug compounds.

Government Regulation

The research, development, and marketing of the Company s products are subject to federal, state, local, or foreign legislation or regulation, including the interpretation of and compliance with existing, proposed, and future regulatory requirements imposed by the United States Food and Drug Administration (FDA) and by comparable authorities in other countries. The costs of bringing new drugs through the regulatory approval process and to the market are extremely high, and the Company plans to sell, partner or license its drug compounds to pharmaceutical and/or biotechnology companies, as appropriate prior to pursuing the FDA approval necessary to commercially market its drug products.

Employees

As of April 30, 2010, the Company had seven full-time employees.

Company History

The Company was incorporated as a merger and acquisition company under the laws of the State of Delaware on June 4, 1985, under the International Group, Inc. In September, 1985, the Company completed a public offering and shortly thereafter acquired the world-wide rights to the Champions sports theme restaurant concept and changed its name to Champions sports, Inc. In 1997, the Company sold its Champions service mark and concept to Marriott International, Inc. and until 2005, was a consultant to Marriott International, Inc. and operated one Champions Sports Bar restaurant. In January 2007, the Company changed its business direction to focus on biotechnology and subsequently changed its name to Champions Biotechnology, Inc.

Available Information

The Company makes available, free of charge on or through its Internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The Company s website address is www.championsbiotechnology.com.

Table of Contents

Item 1A. Risk Factors.

You should carefully consider the risks described below together with all of the other information included in this report. The risks and uncertainties described below are not the only ones we face. Additional risks not presently known, or those we currently consider insignificant, may also impair our business operations in the future.

We historically incurred losses from operating activities, expect losses for the foreseeable future, require significant capital and may never achieve profitability.

For the fiscal years ended April 30, 2010 and 2009, the Company had a net loss of $2,923,000 and $2,242,000, respectively. As of April 30, 2010, the Company has an accumulated deficit of $12,680,000.

The amount of these losses may vary significantly from year-to-year and quarter-to-quarter and will depend on, among other factors:

- the timing and cost of development for our preclinical platform, products and technology;
- the cost of identifying and licensing drug development compounds;
- the progress and cost of preclinical and possibly early phase clinical development programs;
- the cost of building out our Preclinical eValuation Tumorgraft platform;
- the cost and rate of progress toward growing our POS businesses;
- the cost of acquiring and operating our own laboratory and animal testing facilities;
- the cost of securing and defending our intellectual property;
- the timing and cost of obtaining necessary regulatory approvals;
- the cost of expanding and building out the infrastructure of our United States and overseas operations;
- the cost incurred in hiring and maintaining qualified personnel;
- the costs of any future litigation of which we may be subject; and
- the cost of adopting the provisions of section 404 of the Sarbanes-Oxley Act.

Currently, the Company derives revenue from two sources: POS and PCE services, while we pursue drug development opportunities. All of these business activities require significant research and development expenditures, and we have limited sources of revenue to off-set such expenditures. Accordingly, we expect to generate operating losses in the future until such time as we are able to generate more significant revenues.

To become profitable, we will need to generate revenues to off-set our operating costs, including our research and development and general and administrative expenses. We may not achieve or, if achieved, sustain our revenue or profit objectives. Our losses may increase in the future, and, ultimately, we may have to cease operations.

In order to grow revenues, we must invest capital to successfully develop our drug compounds and expand our Preclinical eValuation Tumorgraft platform. Our products may never achieve market acceptance and we may never generate significant revenues or achieve profitability. If we must devote a substantial amount of time to raising capital, it will delay our ability to achieve our business goals within the time frames that we now expect, which could increase the amount of capital we need. In addition, the amount of time expended by our management on fundraising distracts them from concentrating on our business affairs.

The Company currently uses third party laboratory and animal facilities.

Currently, the Company does not own its own laboratory and animal facility. Although the Company has plans to acquire our own facilities, by not owning our own vivarium animal testing facility, the cost of testing done by third parties may be higher than if we performed the services on our own. Further, although we have quality control provision in our contracts with such third parties, we may not be assured that the work being performed on our behalf will meet the quality standards and timelines we would have met if we were controlling the work directly within our facility.

Table of Contents

Our initial proposed drug products are in the early development stages and will likely not be commercially introduced for many years, if at all.

Our initial four drug compounds, specifically, the BPU sulfur analog compounds, TAR-1, Ironophore C and Bithionol, are still in the early development stage and will require further development, preclinical and early phase clinical testing and investment prior to our ability to sell, license or partner with pharmaceutical and/or biotechnology companies. Such partnership, divestiture or license agreement may have contingencies for their possible commercialization in the United States and abroad. We cannot be sure that these products in development will:

be successfully developed;

prove to be safe and efficacious in preclinical or clinical trials;

meet applicable regulatory standards or obtain required regulatory approvals;

demonstrate substantial protective or therapeutic benefits in the prevention or treatment of any disease;

be capable of being formulated and/or produced in clinical or commercial quantities at reasonable costs;

obtain coverage and favorable reimbursement rates from insurers and other third-party payors; or

be successfully marketed or achieve market acceptance by physicians and patients.

We have never marketed, sold or distributed a product and may need to rely on third parties to successfully market and sell our products and generate revenues.

If we were to receive regulatory approval for our drug compounds, we will have to build a marketing and sales function or enter into agreements with contract sales organizations to market our products. Our ability to gain market acceptance and generate revenues will be substantially dependent upon our ability to build a marketing function and/or enter into such agreements on favorable terms and to manage the efforts of those employees or service providers, as the case may be.

We have very limited staffing and will continue to be dependent upon key employees.

Our success, currently, is dependent upon the efforts of seven full-time employees, the loss of the services of one or more of which would have a material adverse affect on our business and financial condition. We intend to continue to develop our management team and attract and retain qualified personnel in all functional areas to expand and grow our business. This may be difficult in the biotechnology industry where competition for skilled personnel is intense, even as the United States has seen an overall downturn in its economy.

Because our industry is very competitive and many of our competitors have substantially greater capital resources and more experience in research and development, we may not succeed in developing our products and technologies and having them brought to market.

We are engaged in a rapidly changing and highly competitive field. Potential competitors in the United States and abroad are numerous and include pharmaceutical and biotechnology companies, most of which have substantially greater capital resources and more experience in research and development capabilities. Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA approval or commercialization of similar competing drug compounds before we do. We compete with companies with greater marketing and manufacturing capabilities, areas in which we have limited or no experience. We also compete in a market that has a less than 10% success rate in bringing new products to market.

Table of Contents

Academic institutions, hospitals, governmental agencies and other public and private research organizations are also conducting research, seeking patent protection and may develop and commercially introduce competing products or technologies on their own or through joint ventures. We cannot assure you that our competitors will not succeed in developing similar technologies and products more rapidly than we do, commercially introducing such technologies and products to the marketplace prior to introduction of our products, or that these competing technologies and products will not be more effective or successful than any of those that we currently are developing or will develop. Not only will we face competition from well established companies, new companies will likely enter our market from the United States and abroad as scientific developments surrounding other cancer therapies continue to accelerate in the multibillion dollar oncology marketplace.

If we are unable to protect our intellectual property, we may not be able to compete as effectively.

It is important in the biotechnology industry to obtain patent and trade secret protection for new technologies, products and processes. Our success will depend, in part, upon our ability to obtain, enjoy and enforce protection for any products we develop or acquire under United States and foreign patent laws and other intellectual property laws, preserve the confidentiality of our trade secrets and operate without infringing the proprietary rights of third parties. Where appropriate, we will seek patent protection for certain aspects of our technology. However, our owned and licensed patents and patent applications may not ensure the protection of our intellectual property for a number of reasons, including:

Our preclinical platform is proprietary and requires significant know-how to both initiate and operate, but is not patented. It is, therefore, possible for competitors to develop other implantation procedures, or to discover the same procedures utilized by us, that could compete with us in our market.

If we are successful in obtaining our patents, competitors may interfere with our patents and patent process in a variety of ways. Competitors may claim that they invented the claimed invention before us or may claim that we are infringing on their patents and, therefore, we cannot use our technology as claimed under our patent. Competitors may also have our patents reexamined by showing the patent examiner that the invention was not original or novel or was obvious.

We are in the process of developing our proposed products and technologies. The mere receipt of a patent does not necessarily provide practical protection. If we receive a patent with a narrow scope, then it will be easier for competitors to design products that do not infringe on our patent. Even if the development of our proposed products is successful and approval for sale is obtained, there can be no assurance that applicable patent coverage, if any, will not have expired or will not expire shortly after this approval. Any expiration of the applicable patent could have a material adverse effect on the sales and profitability of our proposed product.

Obtaining and enforcing patents is expensive and may require significant time by our management. In litigation, a competitor could claim that our issued patents are not valid for a number of reasons. If the court agrees, we would lose protection on products covered by those patents.

We also may support and collaborate in research conducted by government organizations or universities. We cannot guarantee that we will be able to acquire any exclusive rights to technology or products derived from these collaborations. Obtaining the required or necessary licenses or rights from such collaborative research can be time consuming and expensive. If we do not obtain required licenses or rights, we could encounter delays in product development while we attempt to design around other patents or we may be prohibited from developing, manufacturing or selling products requiring these licenses. There is also a risk that disputes may arise as to the rights to technology or products developed in collaboration with other parties.

Table of Contents

It also is unclear whether efforts to secure our trade secrets will provide useful protection. While we will use reasonable efforts to protect our trade secrets, our employees or consultants may unintentionally or willfully disclose our proprietary information to competitors resulting in a loss of protection. Enforcing a claim that someone else illegally obtained and is using our trade secrets, like patent litigation, is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Finally, our competitors may independently develop equivalent knowledge, methods and know-how.

Claims by others that our products infringe their patents or other intellectual property rights could adversely affect our financial condition.

The biotechnology industry has been characterized by frequent litigation regarding patent and other intellectual property rights. Patent applications are maintained in secrecy in the United States and also are maintained in secrecy outside the United States until the application is published. Accordingly, we can conduct only limited searches to determine whether our technology infringes the patents or patent applications of others. Any claims of patent infringement asserted by third parties would be time-consuming and could likely:

result in costly litigation;

divert the time and attention of our technical personnel and management;

cause product development delays;

require us to develop non-infringing technology; or

require us to enter into royalty or licensing agreements.

Although patent and intellectual property disputes in the biotechnology industry have often been settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and often require the payment of ongoing royalties, which could hurt our gross margins. In addition, we cannot be sure that the necessary licenses would be available to us on satisfactory terms, or that we could redesign our products or processes to avoid infringement, if necessary. Accordingly, an adverse determination in a judicial or administrative proceeding, or the failure to obtain necessary licenses, could prevent us from developing, manufacturing and selling some of our products, which could harm our business, financial condition and operating results.

If any of our products that we license or partner with pharmaceutical and/or biotechnology companies fail to obtain regulatory approval or if approval is delayed or withdrawn, we may be unable to generate revenue from the sale or license of our products.

Our products are subject to federal, state, local, or foreign legislation or regulation, including the interpretation of and compliance with existing, proposed, and future regulatory requirements imposed by the FDA in the United States and by comparable authorities in other countries. In the United States, approval of the FDA has to be obtained for each drug to be commercialized. The FDA approval process is typically lengthy and expensive, and approval is never certain. Products to be commercialized abroad are subject to similar foreign government regulation.

Generally, only a very small percentage of newly discovered pharmaceutical products that enter preclinical development are approved for sale. Because of the risks and uncertainties in biopharmaceutical development, our proposed drug products could take a significantly longer time to gain regulatory approval than we expect or may never gain approval. If regulatory approval is delayed or never obtained, our management s credibility, the value of our Company, our operating results and liquidity might be adversely affected. Furthermore, even if a product gains regulatory approval, the product and the manufacturer of the product may be subject to continuing regulatory review. Even after obtaining regulatory approval, such approval may entail limitations on the indicated uses for which the product may be marketed. Moreover, a marketed product, its manufacturer, its manufacturing facilities, and its suppliers are subject to continual review and periodic inspections. Discovery of previously unknown problems, or the exacerbation of problems previously deemed acceptable, with the product, manufacturer, or facility may result in restrictions on such product or manufacturer, potentially including withdrawal of the product from the market.

9

Table of Contents

Even if our proposed products receive FDA approval, they may not achieve expected levels of market acceptance, which could have a material adverse effect on our business, financial position and operating results and could cause the market value of our common stock to decline.

Even if our proposed products obtain required regulatory approvals, the success of those products is dependent upon market acceptance by physicians and patients. Levels of market acceptance for our new products could be impacted by several factors, including:

- the availability of alternative products from competitors;
- the price of our products relative to that of our competitors;
- the timing of our market entry; and
- the ability to promote our products effectively against well funded companies that have more experience in the marketing of approved drugs.

Some of these factors are not within our control. Our proposed products may not achieve expected levels of market acceptance. Additionally, continuing studies of the proper utilization, safety and efficacy of pharmaceutical products are being conducted by the industry, government agencies and others. Such studies, which increasingly employ sophisticated methods and techniques, can call into question the utilization, safety and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuance of product marketing. These situations, should they occur, could have a material adverse effect on our business, financial position and results of operations, and the market value of our common stock could decline.

Because the biotechnology industry is heavily regulated, we face significant costs and uncertainties associated with our efforts to comply with applicable regulations. Should we fail to comply, we could experience material adverse effects on our business, financial position and results of operations, and the market value of our common stock could decline.

The biotechnology industry is subject to regulation by various federal and state governmental authorities. For example, we must comply with FDA requirements with respect to the development of our proposed products and our early clinical trials, and if any of our proposed products are approved, the manufacture, labeling, sale, distribution, marketing, advertising and promotion of our products. Failure to comply with FDA and other governmental regulations can result in fines, disgorgement, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the FDA s review of New Drug Applications (NDA s), enforcement actions, injunctions and criminal prosecution. Under certain circumstances, the FDA also has the authority to revoke previously granted drug approvals. Despite our efforts at compliance, there is no guarantee that we may not be deemed to be deficient in some manner in the future. If we were deemed to be deficient in any significant way, our business, financial position and results of operations could be materially affected.

If our CRO facility that handles a majority of our Preclinical eValuation studies and Tumorgraft platform development is damaged or destroyed, our business would be negatively affected.

We currently utilize several Contract Research Organizations (CRO) to perform a majority of our tumor studies and develop and bank our Tumorgraft platform. If any of these facilities were to be significantly damaged or destroyed, we could suffer a loss of some of our ongoing and future drug studies as well as our Tumorgraft bank. While we believe that our CROs have risk management procedures in place and are insured against damage, such an event would delay timelines and require additional time to restore operations back to the baseline. Additional means are being put into place where our Tumorgraft bank will be housed in different locations to avoid a catastrophic event damaging this asset.

Table of Contents

Your investment in our common stock may be diluted if we issue additional shares in the future.

We may issue additional shares of common stock, which would reduce your percentage ownership and may dilute your share value. Our Certificate of Incorporation authorizes the issuance of 50,000,000 shares of common stock. As of July 28, 2010, we had 36,844,311 shares of common stock issued and 35,701,996 outstanding. The future issuance of all or part of the remaining authorized common stock would result in substantial dilution in the percentage of the common stock held by existing shareholders. The issuance of common stock for future services, acquisitions, or other corporate actions may have the effect of diluting the value of the shares held by existing shareholders, and might have an adverse effect on any market for our common stock.

There is a limited trading market for our common stock, which may make it difficult for you to sell your shares.

Our common stock is quoted on the over-the-counter (OTC) Bulletin Board. Like many stocks quoted on the OTC Bulletin Board, trading in our common stock is thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, trading on the OTC Bulletin Board is often more sporadic and volatile than the trading on security exchanges like NASDAQ, American Stock Exchange or New York Stock Exchange. Accordingly, you may have difficulty reselling your shares of our common stock in short time periods.

The exercise of outstanding options and warrants may dilute current shareholders.

As of July 28, 2010, there were outstanding warrants and options to purchase approximately 4,312,000 shares of our common stock. The exercise of a substantial number of these outstanding warrants and options could adversely affect our share price and dilute current shareholders.

Our stock price is volatile.

The stock market in general and the market for biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the price they paid for it. The market price for our common stock may be influenced by many factors, including:

- results of clinical trials of our drug compounds or those of our competitors;
- regulatory development in the United States and foreign countries;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the healthcare payment system;
- announcements by us of significant acquisition, strategic partnerships, joint ventures or capital commitments;
- sales of significant shares of stock by large investors;
- intellectual property, product liability, or other litigation against us;
- the loss of a key development partner or CRO; and
- the other key facts described in this Risk Factors section.

Table of Contents

Our common stock may be deemed a penny stock, which would make it more difficult for you to sell your shares.

Our common stock is subject to the penny stock rules adopted under Section 15(g) of the Securities Exchange Act of 1934, as amended (the Exchange Act). These rules require, among other things, that brokers who trade penny stock complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our common stock. Because our common stock is subject to the penny stock rules, you may find it more difficult to dispose of the shares of our common stock that you have purchased.

Certain provisions of Delaware law and of our charter and bylaws contain provisions that could delay and discourage takeover attempts and any attempts to replace our current management by shareholders.

Certain provisions of our certificate of incorporation and bylaws, and applicable provisions of Delaware corporate law, could make it difficult for or prevent a third party from acquiring control of us or changing our Board of Directors and management. These provisions include:

- the ability of our Board of Directors to issue preferred stock with voting or other rights or preferences;
- the inability of stockholders to act by written consent; and
- requirements that our stockholders comply with advance notice procedures in order to nominate compounds for election to our Board of Directors or to place stockholders proposals on the agenda for consideration at meetings of stockholders.

Insiders own a significant amount of the outstanding common stock

Insiders own a significant amount of our outstanding common stock which could discourage takeover attempts.

Item 2. Properties.

The Company leases office and laboratory space at 855 N. Wolfe Street, Suite 619, Baltimore, MD 21205 and office space at 2050 E. ASU Circle, Suite 103, Tempe, AZ 85284. The Company s aggregate rental payments are approximately $9,000 per month.

During the fourth quarter of fiscal 2010, we commenced the process of closing our Tempe, Arizona corporate office and consolidating our corporate administrative functions to our headquarters in Baltimore, Maryland. In April, 2010, we executed a sublease for the Tempe office space with an independent third party for $3,050 per month for the remaining term of the lease.

Item 3. Legal Proceedings.

None.

Table of Contents

PART II

Item 5. Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Principal Market or Markets

The following information sets forth the high and low quotation price for the Company s common stock for each quarter within the last two fiscal years. The Company s common stock (symbol CSBR) is traded over-the-counter and quoted on the electronic Bulletin Board maintained by the National Association of Securities Dealers. The quotations represent prices between dealers and do not reflect the retailer markups, markdowns or commissions, and may not represent actual transactions. The Company s securities are presently classified as Penny Stocks as defined by existing securities laws. This classification places significant restrictions upon broker-dealers desiring to make a market in such securities. High and low closing prices for our common stock for the last two fiscal years were:

Fiscal 2010	High	Low
First Quarter	$ 1.07	$ 0.76
Second Quarter	0.95	0.55
Third Quarter	0.95	0.65
Fourth Quarter	1.10	0.75

Fiscal 2009	High	Low
First Quarter	$ 1.40	$ 0.60
Second Quarter	1.15	0.25
Third Quarter	1.19	0.33
Fourth Quarter	1.25	0.71

Approximate Number of Holders of Common Stock

As of July 28, 2010, there were approximately 2,144 record holders of the Company s common stock.

Dividends

Holders of our common stock are entitled to receive such dividends as may be declared by the Company s Board of Directors. No dividends have been paid with respect to the Company s common stock and no dividends are anticipated to be paid in the foreseeable future. Any future decisions as to the payment of dividends will be at the discretion of the Company s Board of Directors, subject to applicable law.

Securities Authorized for Issuance Under Equity Compensation Plans

The information regarding securities authorized for issuance under our equity compensation plans is disclosed in Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Table of Contents

Recent Sales by the Company of Unregistered Securities

From December, 2009, though April, 2010, the Company received gross proceeds of $2,250,000 from the private placement of 3,000,000 shares of the Company s unregistered common stock. This unregistered common stock was sold to accredited investors exempt from registration as provided by Section 4(2) of the Securities Act of 1933 and Regulation D. The Company incurred approximately $28,000 in direct and incremental costs related to the offering. Also, during the fourth quarter of fiscal 2010 the Company executed additional subscription agreements for the private placement of unregistered common stock noted above totaling $750,000.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis is provided to further the reader s understanding of the consolidated financial statements, financial condition and results of operations of the Company. This discussion should be read in conjunction with the consolidated financial statements and the accompanying notes included in this Annual Report on Form 10-K.

Overview

The Company is engaged in the development of advanced preclinical platforms and predictive tumor specific data to enhance and accelerate the value of oncology drugs. The Company s Preclinical eValuation Platform is a novel approach based upon the implantation of primary human tumors in immune deficient mice followed by propagation of the resulting xenografts (Biomerk Tumorgrafts) in a manner that preserves the biological characteristics of the original human tumor. The Company believes that Biomerk Tumorgrafts closely reflect human cancer biology and their response to drugs is more predictive of clinical outcomes in cancer patients. The Company is building its Biomerk Tumorgraft platform through the procurement, development and characterization of numerous Tumorgrafts within several types of cancers. Tumorgrafts are procured through agreements with institutions in the United States and Europe and developed and tested through agreements with United States based preclinical CROs.

The Company also offers its Biomerk Tumorgraft predictive Preclinical eValuation Platform and tumor specific data to physicians to provide information that may enhance personalized patient care options and to companies for evaluation of oncology drugs in a platform that integrates predictive testing with biomarker discovery. In providing patient care options, the Company administers expert medical panels with participants that are selected based on the patient s specific cancer type and condition. A panel typically includes renowned experts from each of the disciplines that may be critical to the patient s status and treatment including oncologists, radiologists, surgeons, pathologists and research experts from both academia and the pharmaceutical/biotechnology industry. Experts review various treatment approaches designed to maximize options available to the treating physician. In addition, we offer Personalized Tumorgraft studies from the respective patient s tumor. To accomplish this, the physician obtains a sample of the patient s tumor which is then immediately implanted in immune deficient mice and propagated in a manner that preserves the biological properties of the original tumor. Development of the Personalized Tumorgrafts may enable extensive in vivo testing of numerous novel and standard drugs and drug combinations. This targeted process typically provides data regarding the drug/drug combinations that are the most and least effective. This data may be useful to the patient s physician in evaluating future treatment options for the patient.

During the year ended April 30, 2010, we continued to expand our Biomerk Tumorgraft models and related testing service offerings. Fiscal 2010 was the first full year that we were able to offer leading pharmaceutical and biotechnology companies the full benefits of our Biomerk Tumorgrafts for their preclinical evaluation programs. We provide Preclinical eValuation services that we believe are more predictive of clinical outcomes and that might provide for a faster and less expensive path to drug approval. These services utilize Biomerk Tumorgrafts to evaluate tumor sensitivity/resistance to various single, combination standard and novel chemotherapy agents. The Preclinical eValuation services we offer also include biomarker discovery and the identification of novel drug combinations.

Table of Contents

We intend to leverage our preclinical platform to evaluate oncology drug compounds and to develop a portfolio of drug compounds through pre-clinical trials. As drugs progress through this early stage of development, the Company plans to sell, partner or license such drugs to pharmaceutical and/or biotechnology companies. We believe this strategy will enable the Company to leverage the competencies of these partners or licensees to maximize the Company s return on investment in a relatively short time frame. The Company believes that this model is unlike that of many new biotechnology companies that look to bring the process of drug development through all phases of discovery, development, regulatory approvals, and marketing, which requires a very large financial commitment and a long development period, typically more than a decade, to commercialize. Thus far we have acquired four drug compounds: BPU, TAR-1, Bithionol, and Irinophore C, through purchase, exclusive worldwide licensing and/or option agreements. Of our four drug compounds, we have begun preclinical testing of three and expect to start testing the fourth compound in the first or second quarter of fiscal 2011.

Results of Operations Comparing Fiscal Years ended April 30, 2010 and April 30, 2009

Operating Revenues:

For the fiscal years ended April 30, 2010 and 2009, the Company s revenues from operations were $4,893,000, and $3,710,000, respectively, an increase for the 2010 period of $1,183,000 or 32%. The increase was comprised of $1,255,000 increase from our PCE services, which began generating revenues during fiscal 2009, partially offset by a $72,000 a decrease from POS.

Revenues generated in our POS business related to Personalized Oncology Panels , Tumorgraft implantations and related Tumorgraft studies. Our POS revenues experienced a 2% decline during fiscal 2010. The increase in our PCE services is attributable to a greater demand and the completion of a number of PCE contracts during fiscal 2010. Contracts for our PCE services may take up to one or more years to complete.

Costs and Operating Expenses:

For the fiscal years ended April 30, 2010 and 2009, the Company s costs and operating expenses were $7,821,000 and $6,040,000, respectively, an increase for the period of $1,781,000 or 29%.

Cost of Personalized Oncology Services (CPOS) for the fiscal years ended April 30, 2010 and 2009 were $1,181,000 and $1,623,000, respectively, a decrease of $442,000 or 27%. Of this decrease, $237,000 is due to the realization of increased gross margins on POS services in fiscal 2010 and one-time credits with vendors who performed services for the Company totaling $205,000.

Cost of Preclinical eValuation services for the fiscal years ended April 30, 2010 and 2009 were $798,000 and $285,000, respectively, an increase for the period of $513,000 or 180%. Costs of PCE services as a percentage of PCE revenues declined from 66% to 47% of PCE revenues primarily as a result of increased efficiencies during PCE s second full year of operations. Additionally, during fiscal 2009, the Company negotiated a reduction in the sales amount of a contract with one of our customers in exchange for future royalties on that contract. To date no royalties have been realized on that contract.

Research and Development expenses for the fiscal years ended April 30, 2010 and 2009 were $2,695,000 and $1,721,000, respectively, an increase for the period of $974,000 or 57%. The increase was mainly attributable a combined charge of $553,000 for licensing fees, option rights, and other costs incurred to license and/or acquire additional drug compounds, and an increase of $504,000 for the acquisition of Tumorgrafts and other research and development testing costs, offset by the cancelation of an amount payable of $83,000 to certain vendors for lack of performance.

Impairment of Intangible Assets expense for the fiscal year ended April 30, 2009 was $284,000 due to the impairment of certain patent rights. We identified indicators of impairment based on changes in current market conditions for potential partnering and licensing opportunities in this patent right, and performed an impairment analysis which concluded that the carrying amount of the patent rights was greater than the asset s fair value, based on assumed cash outflow to be generated from this asset.

Table of Contents

General and Administrative expenses for the fiscal years ended April 30, 2010 and 2009, were $3,147,000 and $2,127,000, respectively, an increase of $1,020,000 or 48%. The increase was due to the expansion of our management team and infrastructure to meet the requirements of a public company. Additionally, the Company incurred additional administrative expenses of approximately $126,000 to establish a U.K. subsidiary and branch operations in Israel.

Interest Income decreased from $88,000 in the year ended April 30, 2009 to $5,000 in fiscal 2010. The decrease in interest income resulted from the Company s decrease in assets held in interest bearing investments.

Net Loss:

The Company s net loss for the year ended April 30, 2010 was $2,923,000, an increase of $681,000, as compared to a net loss of $2,242,000 for the fiscal year ended April 30, 2009, due to the factors discussed above.

Liquidity and Capital Resources

The Company s available liquid capital as of April 30, 2010 amounted to cash of $2,572,000 as compared to $2,745,000 (consisting of cash and cash equivalents of $1,728,000 and a certificate of deposit of $1,017,000) on April 30, 2009. In June, 2009, the certificate of deposit matured and was converted to cash.

For the year ended April 30, 2010, net cash used in operations was $2,100,000 compared to $888,000 used in operations during the year ended April 30, 2009. The increase of $1,212,000 in cash used in operations from prior year is due to the $681,000 increase in our net loss, the net $601,000 increase in cash used due to the changes in operating assets and liabilities, and a decrease of $284,000 for the impairment of an intangible assets, offset by a $129,000 increase in share-based compensation, a $175,000 charge for common stock issued for a patent, a $22,000 loss on the disposal of assets, and a $28,000 increase in depreciation expense.

For the year ended April 30, 2010, net cash provided by investing activities was $941,000 compared to $1,150,000 used in investing activities during the year ended April 30, 2009. The $2,091,000 increase in cash provided by investing activities was due to the redemption of a certificate of deposit for $1,107,000, a $64,000 decrease in the purchase of intangible and other assets, and the receipt of $8,000 from the sale of property and equipment, offset by a $15,000 increase in the purchase of property and equipment. In June, 2009, the certificate of deposit matured and was converted to cash.

For the years ended April 30, 2010 and 2009, net cash provided by financing activities was $2,007,000 and $57,000, respectively. The $1,950,000 increase was due to the $2,222,000 in cash provided by a private placement of common stock, offset by $218,000 in purchases of treasury stock and a $54,000 decrease in cash provided by the exercise of stock options and warrants.

The Company s working capital as of April 30, 2010 and 2009 was $1,068,000 and $1,166,000, respectively.

In May 2009, our Board of Directors approved a stock repurchase agreement with a Board member to purchase $281,250 worth of the Company s common stock held by the Board member over the next five quarters providing that the Board member continues his services under a consulting agreement executed in conjunction with the stock repurchase agreement. Under the agreement, the Company will repurchase shares of common stock at the lesser price of (a) $0.50 or (b) 50% of the average volume-weighted closing price of the stock as quoted on the OTC Bulletin Board for the 30 day trading period ending on the day before the date of each purchase as long as the consulting agreement remains in effect. The Company may purchase up to 2,250,000 shares of the common stock at the discretion of the Company subject to the above commitment and pricing formula. During the year ended April 30, 2010, the Company purchased 474,289 shares of our common stock from the Board member for approximately $218,000. In May 2010, the Company repurchased an additional 77,962 shares of our common stock for $31,250 per the terms of the repurchase agreement noted above.

Table of Contents

In June 2009, the Company s Board of Directors authorized management to begin the process of raising additional capital. From December 2009 through April, 2010, the Company received gross proceeds of $2,250,000 from the private placement of 3,000,000 shares of the Company s unregistered common stock. This unregistered common stock was sold to accredited investors exempt from registration as provided by Section 4(2) of the Securities Act of 1933 and Regulation D. The Company incurred approximately $28,000 in direct and incremental costs related to the offering. Additionally, the Company has executed subscription agreements for the private placement of unregistered common stock noted above totaling $750,000.

There can be no assurance that management will be successful in raising capital on terms acceptable to the Company, if at all. The Company s ability to successfully complete a raise of capital will depend on the condition of the capital markets and the Company s financial condition and prospects. Even if the Company is able to successfully raise additional capital, such capital could be in the form of debt and could be at high interest rates and/or require the Company to comply with restrictive covenants that limit financial and business activities. In addition, even if the Company is able to successfully raise equity capital, this could dilute the interest of existing shareholders and/or be issued with preferential liquidation, dividend or voting rights to those currently held by the Company s common stockholders.

Critical Accounting Policies

Revenue Recognition. The Company derives revenue from Personalized Oncology and Preclinical eValuation services. Personalized Oncology Services assist physicians by providing information that may enhance personalized treatment options for their cancer patients through access to expert medical information panels and tumor specific data. The Company s Preclinical eValuation services offer a preclinical tumorgraft platform to pharmaceutical and biotechnology companies using Biomerk Tumorgraft studies, which have been shown to be predictive of how drugs may perform in clinical settings. The Company recognizes revenue when the following four basic criteria are met: 1) a contract has been entered into with our customers; 2) delivery has occurred or services rendered to our customers; 3) the fee is fixed and determinable as noted in the contract; and 4) collectability is reasonably assured, as fees for services are remitted in full upon execution of the contract. The Company utilizes a proportional performance revenue recognition model for its preclinical eValuation services under which we recognize revenue as performance occurs, based on the relative outputs of the performance that have occurred up to that point in time under the respective agreement, typically the delivery of reports to our customers documenting the results of our testing protocols.

When a Personalized Oncology or Preclinical eValuation arrangement involves multiple elements, the items included in the arrangement (deliverables) are evaluated to determine whether they represent separate units of accounting. We perform this evaluation at the inception of an arrangement and as we deliver each item in the arrangement. Generally, we account for a deliverable (or a group of deliverables) separately if: (1) the delivered item(s) has standalone value to the customer, (2) there is objective and reliable evidence of the fair value of the undelivered items included in the arrangement, (3) if we have given the customer a general right of return relative to the delivered item(s), and (4) delivery or performance of the undelivered item(s) or service(s) is probable and substantially in our control. All revenue from contracts determined not to have separate units of accounting is recognized based on consideration of the most substantive delivery factor of all the elements in the contract.

Stock-Based Payments. The Company typically recognizes expense for share-based payments based on the fair value of awards on the date of grant. The Company uses the Black-Scholes option pricing model to estimate fair value. The option pricing model requires the Company to estimate certain key assumptions such as expected life, volatility, risk free interest rates, and dividend yield to determine the fair value of share-based awards. These assumptions are based on historical information and management judgment. The Company expenses stock-based payments over the period that the awards are expected to vest, net of estimated forfeitures. If the actual forfeitures differ from management s estimates, compensation expense is adjusted. The Company reports cash flows resulting from tax deductions in excess of the compensation cost recognized from those options (excess tax benefits) as financing cash flows.

Table of Contents

Research and Development. Research and development costs represent both costs incurred internally for research and development activities, costs of licensing drug compounds as well as costs incurred externally to fund research activities. All research and development costs are expensed as incurred. Non-refundable advance payments are capitalized and recorded as expense when the respective product or services are delivered.

Item 8. Financial Statements and Supplementary Data.

Consolidated balance sheets as of April 30, 2010 and 2009, consolidated statement of operations, stockholders equity and cash flows for each of the years in the two-year period then ended April 30, 2010 together with the report of our independent registered public accounting firm, are set forth in the F pages of this Annual Report on Form 10-K.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A(T). Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our Acting Executive Officer/Chief Financial Officer, have reviewed and evaluated our disclosure controls and procedures (as defined in the Securities Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 10-K. Based on that evaluation, our management, including our Acting Executive Officer/Principal Financial Officer, has concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Form 10-K in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in th