

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 June 30, 2009

OR

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

Commission File Number 0-12992

SYNTHETECH, INC.

(Exact name of registrant as specified in its charter)

<u>Oregon</u> (State or other jurisdiction of incorporation or organization)	<u>84-0845771</u> (I.R.S. Employer Identification Number)
<u>1290 Industrial Way, Albany, Oregon</u> (Address of principal executive offices)	<u>97322</u> (Zip Code)

Registrant's telephone number, including area code (541) 967-6575

NONE

(Former name or former address, if changed since last report.)

Indicate by checkmark 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<u>Class</u>	<u>Outstanding as of August 6, 2009</u>
Common stock, \$0.001 par value	14,650,614

SYNTHETECH, INC

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SYNTHETECH, INC.

Condensed Balance Sheets (unaudited)

	<u>June 30, 2009</u>	<u>March 31, 2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,079,000	\$ 588,000
Accounts receivable, less allowance for doubtful accounts of \$15,000 for both periods	795,000	2,669,000
Inventories	5,153,000	5,027,000
Prepaid expenses	239,000	338,000
Total Current Assets	<u>9,266,000</u>	<u>8,622,000</u>
Property, Plant and Equipment, net	<u>4,263,000</u>	<u>4,385,000</u>
Total Assets	<u><u>\$ 13,529,000</u></u>	<u><u>\$ 13,007,000</u></u>

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

SYNTHETECH, INC.

Condensed Balance Sheets

(continued)

(unaudited)

	June 30, 2009	March 31, 2009
	<u> </u>	<u> </u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt.....	\$ 210,000	\$ 210,000
Note payable	2,000	102,000
Accounts payable	746,000	1,255,000
Accrued compensation	1,254,000	1,046,000
Deferred revenue.....	51,000	51,000
Other accrued liabilities	18,000	23,000
	<u>2,281,000</u>	<u>2,687,000</u>
 Total Current Liabilities	 2,281,000	 2,687,000
 Long-term debt	 662,000	 715,000
	<u>662,000</u>	<u>715,000</u>
 Total Liabilities	 2,943,000	 3,402,000
 Shareholders' Equity:		
Common stock, \$.001 par value; authorized 100,000,000 shares; issued and outstanding, 14,650,614 and 14,648,614 shares.....	15,000	15,000
Paid-in capital	9,485,000	9,473,000
Retained earnings.....	1,086,000	117,000
	<u>10,586,000</u>	<u>9,605,000</u>
 Total Shareholders' Equity.....	 10,586,000	 9,605,000
 Total Liabilities and Shareholders' Equity	 \$ 13,529,000	 \$ 13,007,000
	<u><u>\$ 13,529,000</u></u>	<u><u>\$ 13,007,000</u></u>

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

SYNTHETECH, INC.

Condensed Statements of Operations
(unaudited)

For The Three Months Ended June 30,	2009	2008
Revenue	\$ 4,664,000	\$ 4,917,000
Cost of revenue	2,653,000	3,628,000
Gross income	2,011,000	1,289,000
Research and development	303,000	297,000
Selling, general and administrative	702,000	678,000
Total operating expense	1,005,000	975,000
Operating income	1,006,000	314,000
Interest income	3,000	5,000
Interest expense	(40,000)	(24,000)
Income before income taxes	969,000	295,000
Income taxes	-	-
Net income	\$ 969,000	\$ 295,000
Net income per common share:		
Basic income per share	\$ 0.07	\$ 0.02
Diluted income per share	\$ 0.06	\$ 0.02
Weighted average shares outstanding:		
Basic	14,648,900	14,631,614
Diluted	15,103,809	15,002,705

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

SYNTHETECH, INC.

Condensed Statements of Cash Flows
(unaudited)

<u>For The Three Months Ended June 30,</u>	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 969,000	\$ 295,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense.....	137,000	123,000
Stock-based compensation expense	12,000	18,000
 (Increase) decrease in assets:		
Accounts receivable, net	1,874,000	(237,000)
Inventories	(126,000)	214,000
Prepaid expenses	99,000	89,000
 Increase (decrease) in liabilities:		
Accounts payable	(509,000)	67,000
Accrued compensation.....	208,000	29,000
Deferred revenue	-	(1,004,000)
Other accrued liabilities	(5,000)	(16,000)
Cash Provided By (Used In) Operating Activities	<u>2,659,000</u>	<u>(422,000)</u>
 CASH FLOWS FROM INVESTING ACTIVITY:		
Property, plant and equipment purchases	<u>(15,000)</u>	<u>(336,000)</u>
Cash Used In Investing Activity	<u>(15,000)</u>	<u>(336,000)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of line of credit.....	-	(527,000)
Borrowings under long-term debt obligation	-	550,000
Principal payments under long-term debt obligation	(53,000)	(9,000)
Repayment of note payable	(100,000)	(101,000)
Cash Used In Financing Activities	<u>(153,000)</u>	<u>(87,000)</u>
 Increase (Decrease) in Cash and Cash Equivalents.....	2,491,000	(845,000)
Cash and Cash Equivalents at Beginning of Period.....	<u>588,000</u>	<u>1,062,000</u>
Cash and Cash Equivalents at End of Period	<u>\$ 3,079,000</u>	<u>\$ 217,000</u>

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

SYNTHETECH, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(Information as of June 30, 2009 and for the three month
period ended June 30, 2009 is unaudited)

NOTE A. GENERAL AND BUSINESS

Synthetech, Inc., an Oregon corporation, is a fine chemicals company specializing in organic synthesis, biocatalysis and chiral technologies. Synthetech develops and manufactures proprietary custom chiral intermediates, amino acid derivatives, specialty amino acids, peptide fragments, and specialty resins primarily for the pharmaceutical industry. Synthetech's products support the development and manufacture of therapeutic peptides and peptidomimetic (peptide-like) small molecule drugs at every stage of a customer's clinical development pipeline, and are used as ingredients in drugs for the treatment of AIDS, cancer, cardiovascular and other diseases. Synthetech's products also support the production of chemically based medical devices.

The summary financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although Synthetech management believes that the disclosures are adequate to make the information presented not misleading. Synthetech's management suggests that these summary financial statements be read in conjunction with the financial statements and the notes thereto included in Synthetech's Annual Report on Form 10-K for the year ended March 31, 2009. Synthetech's fiscal year ends March 31 of each year.

The interim period information included in this Quarterly Report on Form 10-Q reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of Synthetech's management, necessary for a fair statement of the results of the respective interim periods. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year.

Subsequent events have been evaluated through our filing date.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of inventory, accounts receivable, deferred tax assets and the carrying amount of property, plant and equipment.

Cash and Cash Equivalents: Cash and cash equivalents include demand cash and highly liquid debt instruments with maturities of three months or less when purchased. Synthetech may have cash and cash equivalents in financial institutions in excess of federally insured limits.

Cash and cash equivalents consist of the following:

	<u>June 30,</u> <u>2009</u>	<u>March 31,</u> <u>2009</u>
Cash	\$ 1,000	\$ -
Cash equivalents	<u>3,078,000</u>	<u>588,000</u>
	<u>\$ 3,079,000</u>	<u>\$ 588,000</u>

Accounts receivable: Accounts receivable are recorded at the invoiced amount and do not bear interest. Synthetech does not finance its trade receivables by factoring the balances to a third party. The allowance for doubtful accounts is established by a review of aged accounts receivables and a review for collectability of specific accounts. The allowance for doubtful accounts as of June 30, 2009 and 2008 was \$15,000. For the quarter ended June 30, 2009 and 2008, Synthetech's provision for credit losses were insignificant.

Concentrations of Credit Risk: Financial instruments that potentially subject Synthetech to significant concentrations of credit risk consist principally of cash equivalents and trade accounts receivable. Cash equivalents primarily consist of money market accounts with maturities at purchase of less than three months. Synthetech's customers consist primarily of major and mid-size pharmaceutical companies as well as contract drug synthesis firms, emerging and established biopharmaceutical and medical device companies. Synthetech's customers are primarily located in the United States and Western Europe. At June 30, 2009, four customers had accounts receivable balances of 29%, 17%, 16% and 12% of total accounts receivable. At June 30, 2008, five customers had accounts receivable balances of 25%, 16%, 13%, 12% and 11% of total accounts receivable. During the first quarter of fiscal 2010, sales to two customers, each exceeding 10% of revenue for the quarter, accounted for approximately 63% of Synthetech's revenue. During the first quarter of fiscal 2009, sales to three customers each exceeding 10% of revenue for the quarter, accounted for approximately 55% of Synthetech's revenue. Synthetech's reliance on major customers and the absence of long term contracts could adversely affect operating results if a major customer were lost or failed to pay Synthetech. Revenue from emerging biopharmaceutical companies could be adversely impacted if these customers are unable to obtain necessary additional funding from the financial markets.

Inventories: Inventories are stated at the lower of cost or market, determined on the first-in, first-out basis. Costs include direct material, direct labor, applicable manufacturing overhead, and other direct costs.

Management evaluates Synthetech's inventory for impairment whenever it becomes aware that indicators of impairment exist. It is Synthetech's policy to write-down inventories to reflect an estimate for impairment in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. Write-downs of inventory are reported as a component of cost of revenue in the relevant period.

Property, Plant and Equipment: Property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that materially increase values, change capacities or extend useful lives are capitalized. When assets are retired, sold or otherwise disposed of, the applicable costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized. Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the individual assets which range from three to 40 years. In Synthetech's statements of operations, depreciation and amortization are charged to cost of revenue, research and development and selling, general and administrative, on a basis consistent with the utilization of the underlying asset.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets", Synthetech assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If Synthetech determines that the carrying value of property, plant and equipment may not be recoverable, Synthetech compares the carrying values of its property, plant and equipment to the undiscounted cash flows expected to be generated by the asset group. If the carrying value exceeds the undiscounted cash flows an impairment charge may be recorded. An impairment charge is recognized to the extent that the carrying amount of property, plant and equipment is in excess of their determined fair value.

Income Taxes: Synthetech accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes." In accordance with SFAS No. 109, deferred tax assets arise from the tax benefit of amounts expensed for financial reporting purposes but not yet deducted for tax purposes and from unutilized tax credits and net operating loss carryforwards. Synthetech evaluates its deferred tax assets on a regular basis to determine if a valuation allowance is required. Synthetech will record a valuation allowance to the extent it is determined that it is more likely than not that Synthetech will be unable to recognize a deferred tax asset.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" ("FIN 48") provides recognition criteria and a related measurement model for tax positions taken by companies. In accordance with FIN 48, a tax position is a position in a previously filed tax return or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the position would be sustained upon examination by taxing authorities. The amount recognized is the largest benefit that the Company believes has a greater than a 50% likelihood of being realized upon settlement. Fiscal 2006 through 2009 remain open and subject to audit by the Internal Revenue Service and equivalent state agencies.

Deferred Revenue: Deferred revenue represents customer advances for materials that have not yet been manufactured. From period to period, the amount of deferred revenue will vary significantly depending on the customer agreements that are in place at the time. Deferred revenue is recognized as revenue consistent with Synthetech's revenue recognition policy.

Revenue Recognition: Synthetech recognizes revenue, including shipping and handling charges billed to customers, upon shipment of product when title and risk of loss pass to customers. Shipping and handling costs are classified as part of cost of revenue.

Research and Development Costs: Research and development costs are expensed as incurred.

Stock-Based Compensation: Stock-based compensation expense for stock-based compensation awards is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R), “*Share-Based Payment*”. Synthetech recognizes these compensation costs net of estimated forfeitures over the requisite service period of the award, which is generally the vesting term of one to five years for stock options. Please refer to Note I to these condensed financial statements for a further discussion of stock-based compensation.

Fair value of financial instruments: The carrying value of all financial instruments classified as current assets or current liabilities is deemed to approximate fair value because of the short maturity of these instruments. The interest rate on our long-term debt adjusts with changes in the prime rate subject to minimums, and is estimated that fair value closely approximates carrying values. Our long-term debt was originated in fiscal 2009.

Comprehensive Income or Loss: Synthetech has no material components of comprehensive income/loss other than net income/loss. Accordingly, comprehensive income/loss was equal to net income/loss for all periods presented.

Income (Loss) Per Share: Basic income (loss) per share and diluted loss per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted income per share is computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period, calculated using the treasury stock method as defined in SFAS No. 128. Common stock equivalents are not used to calculate diluted loss per share because their effect would be anti-dilutive.

Shares used to compute earnings (loss) per share are as follows:

	For the three months ended June 30,	
	<u>2009</u>	<u>2008</u>
Net income	<u>\$ 969,000</u>	<u>\$ 295,000</u>
Basic, weighted average shares	14,648,900	14,631,614
Dilutive effect of stock options	<u>454,909</u>	<u>371,091</u>
Diluted, weighted average shares	<u>15,103,809</u>	<u>15,002,705</u>
Basic income per share	<u>\$ 0.07</u>	<u>\$ 0.02</u>
Diluted income per share	<u>\$ 0.06</u>	<u>\$ 0.02</u>

Supplemental cash flow disclosures are as follows:

Cash paid during the period for interest is set forth below:

	For the three months ended June 30,	
	<u>2009</u>	<u>2008</u>
Interest	<u>\$ 40,000</u>	<u>\$ 24,000</u>

NOTE C. INVENTORIES

The major components of inventories, net of reserves, are as follows:

	June 30, 2009	March 31, 2009
Finished products	\$ 2,138,000	\$ 1,782,000
Work in process.....	1,226,000	1,403,000
Raw materials.....	1,789,000	1,842,000
	\$ 5,153,000	\$ 5,027,000

NOTE D. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and depreciable lives are summarized as follows:

	Depreciable Life In Years	June 30, 2009	March 31, 2009
Land		\$ 241,000	\$ 241,000
Buildings	15 – 40	1,617,000	1,617,000
Machinery and equipment	5 – 17	3,474,000	3,371,000
Laboratory equipment	5 – 17	1,413,000	1,409,000
Furniture and fixtures	3 – 5	120,000	120,000
Construction in process		3,000	95,000
		6,868,000	6,853,000
Less:			
Accumulated depreciation		(2,605,000)	(2,468,000)
		\$ 4,263,000	\$ 4,385,000

NOTE E. ACCRUED COMPENSATION

Accrued compensation consists of the following:

	<u>June 30,</u>	<u>March 31,</u>
	<u>2009</u>	<u>2009</u>
Employee incentives	\$ 964,000	\$ 742,000
Accrued vacation	246,000	242,000
Accrued compensation.....	44,000	62,000
	<u>\$ 1,254,000</u>	<u>\$ 1,046,000</u>

Employee incentives approximating \$700,000, which were earned in fiscal 2009, were paid to employees in July 2009.

NOTE F. LINE OF CREDIT

Synthetech's credit facility, with a finance company, provides for borrowings of up to \$2.0 million or the maximum available under the borrowing base, whichever is less. Interest is payable at (a) 9% or (b) the prime rate plus 5%, whichever is higher. The annual fee for the credit facility is \$20,000. Additionally, the credit facility has a minimum monthly fee of \$2,500, which is reduced by interest charges. The facility contains no financial covenants and is collateralized by cash, cash equivalents, accounts receivable, inventories and property, plant and equipment. The credit facility is scheduled to expire on September 15, 2010. As of June 30, 2009, Synthetech had no borrowings outstanding under the facility and \$1.3 million in availability. Availability is computed as the total commitment of \$2.0 million less amounts which are utilized by borrowings or other commitments, less amounts not supported by eligible accounts receivable or inventory.

NOTE G. LONG-TERM DEBT

Synthetech has entered into term loan facilities from the same finance company that provided Synthetech's line of credit facility. The loans contain no financial covenants and are collateralized by cash, cash equivalents, accounts receivable, inventories, and property, plant and equipment. Terms of the loans are as follows:

- On November 5, 2008, Synthetech entered into a term loan facility under which it borrowed \$500,000. The loan matures on November 5, 2011, and requires 36 monthly principal payments equal to \$8,333, plus interest, beginning on December 1, 2008, with a balloon payment of \$200,000 due on maturity. The note bears interest at (a) 9% or (b) the prime rate plus 5%, whichever is higher. The amount outstanding under this term loan facility as of June 30, 2009 was \$442,000.
- On May 5, 2008, Synthetech entered into a term loan facility under which it borrowed \$550,000. The loan matures on May 5, 2011, and requires 36 monthly principal payments equal to \$9,167, plus interest, beginning on June 1, 2008, with a balloon payment of \$220,000 due on maturity. The note bears interest at (a) 8% or (b) the prime rate plus 4%, whichever is higher. In May 2010, Synthetech will pay an annual loan fee equal to 1% of the then outstanding principal balance of the loan. The amount outstanding under this term loan facility as of June 30, 2009 was \$430,000.

Scheduled long-term debt principal repayments under the term loan facilities are as follows:

Years ending March 31,	
2010.....	\$ 157,000
2011.....	210,000
2012.....	505,000
Total	<u>\$ 872,000</u>

NOTE H. NOTES PAYABLE

During November and December 2008, Synthetech financed \$322,000 of annual premiums for certain of its insurance policies. The amount outstanding under the finance agreement as of June 30, 2009 was \$2,000.

NOTE I. EMPLOYEE STOCK BENEFIT PLAN

Description of the Plans

Stock Plan

Synthetech grants equity-based compensation under its 2005 Equity Incentive Plan (the *2005 Plan*). Stock options, restricted stock awards and stock appreciation rights are authorized for issuance to employees, consultants and non-employee directors under the 2005 Plan. Stock options are granted with an exercise price equal to the fair market value of Synthetech's common stock on the date of grant. Employee options generally vest (a) one-third on the date of grant and in equal annual installments between the date of grant and the subsequent two years or (b) over a three year period on their annual anniversary dates. On occasion, individual options may have different vesting terms. Options granted to non-management Directors generally vest ratably over the five succeeding years

from the date of grant. All options expire no later than ten years from the date of grant. As of June 30, 2009, 82,550 shares were available for issuance under the 2005 Plan.

Stock Option Activity

A summary of the changes in stock options outstanding under Synthetech's 2005 Plan and otherwise during the quarter ended June 30, 2009 is presented below:

	Number Of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding, March 31, 2009	2,595,400	\$ 0.92	6.6	
Granted	-	-		
Exercised	(2,000)	\$ 0.29		
Forfeited	(22,700)	\$ 2.02		
Options outstanding, June 30, 2009	<u>2,570,700</u>	\$ 0.91	6.4	\$ 157,000
Options exercisable, June 30, 2009	<u>1,881,701</u>	\$ 1.05	5.4	\$ 121,000

No options were granted during the first quarters of fiscal 2010 and 2009.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Synthetech's closing stock price on the last trading day of the first quarter of fiscal 2009 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had option holders exercised their options on June 30, 2009. This amount changes based upon changes in the fair market value of Synthetech's stock.

As of June 30, 2009, \$149,000 of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options is expected to be recognized over a weighted-average period of approximately 1.6 years.

Expense Information under SFAS No. 123(R)

Stock-based compensation expense was allocated as follows:

	For the three months ended June 30,	
	2009	2008
Stock-based compensation expense:		
Cost of revenue	\$ 3,000	\$ 3,000
Operating expenses	9,000	15,000
Stock-based compensation expense before income taxes	12,000	18,000
Income tax expense (benefit)	-	-
Total stock-based compensation expense after income taxes	<u>\$ 12,000</u>	<u>\$ 18,000</u>

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

The following discussion of the results of Synthetech's operations and financial condition should be read in conjunction with the accompanying condensed financial statements and the notes thereto included within this report.

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Quarterly Report are forward looking. Words such as "anticipates," "believes," "expects," "future" and "intends" and similar expressions may identify forward-looking statements. In particular, forward-looking statements in this report include statements regarding: our future performance and operating results; expected revenue from and shipping dates for customer orders; future revenue for a customer market category; recurrence of large-scale projects; resolution of manufacturing process difficulties; estimated quarterly stock-based compensation amounts; the conditions of the fine chemicals industry; obtaining regulatory approval for new drugs and other matters relating to drug development progress; financing our current and future capital expenditures and the timing and amount of such expenditures; the effect any change in foreign currency exchange rates would have on our operating results; whether our cash and cash equivalents, borrowing capacity and internally-generated funds will be adequate to operate our business; and our inability to recognize deferred tax assets. Forward-looking statements reflect management's current expectations, plans or projections and are inherently uncertain. Actual results could differ materially from management's expectations, plans or projections. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The risks and uncertainties that may cause actual results to vary materially from any forward-looking statements include, but are not limited to, the following: the uncertain market for our products; potential loss of a significant customer; customer concentration; potential termination or suspension by customers of significant projects or orders; potential production or shipping delays; potential period-to-period revenue or expense fluctuations; our limited financial and other resources; higher than expected cash use, or inability to borrow funds under our line of credit or to raise other debt or equity capital required to continue operations; production factors and timely access to raw materials; industry cost factors; competition; government regulation; labor disputes; technological change; future incentive stock awards; and international business risks. Investors are urged to read our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2009, for a further description of risks and uncertainties related to forward-looking statements made by us as well as to other aspects of our business. Synthetech does not intend to release any revisions to these forward-looking statements to reflect events or circumstances that may occur or arise after the date hereof or to reflect the occurrence of unanticipated events.

OVERVIEW

Synthetech, Inc., based in Albany, Oregon, is a fine chemicals company specializing in organic synthesis, biocatalysis and chiral technologies. We develop and manufacture proprietary custom chiral intermediates, amino acid derivatives, specialty amino acids, peptide fragments, and specialty resins primarily for the pharmaceutical industry. Synthetech produces advanced pharmaceutical intermediates in accordance with Current Good Manufacturing Practices (*cGMP*) in compliance with U.S. Food and Drug Administration (*FDA*) regulations. Our products support the development and manufacture of therapeutic peptides and peptidomimetic (peptide-like) small molecule drugs from early stages of a customer's clinical development through market launch and into commercial production. Synthetech's products also support the production of chemically-based medical devices. Synthetech's domestic and international customer base includes major and mid-size pharmaceutical, contract drug synthesis, emerging biopharmaceutical, established biopharmaceutical and medical device companies. We also supply catalog quantities of specialty amino acids to research institutions, universities and drug discovery firms.

Financial Results

Synthetech reported revenue of \$4.7 million for the first quarter of fiscal 2010. Related gross income was \$2.0 million, or 43% of revenue, and net income was \$969,000, or \$0.07 per basic share, which was an improvement of \$674,000 over the first quarter of fiscal 2009 net income of \$295,000 on revenue of \$4.9 million. The improvement in net income on slightly lower sales is primarily the result of: a more favorable product mix; improved throughput and efficiencies; and raw material and other cost reductions. Additionally, gross income for the first quarter of fiscal 2009 was hindered by: lower than normal margins on certain products which encountered production difficulties in prior quarters; higher than average raw material costs on certain projects; and low margins on material purchased for direct resell. The first quarter of fiscal 2010 includes \$224,000 of employee incentives compared to \$41,000 in the comparable period of fiscal 2009. As a cautionary measure, in May 2009, Synthetech implemented a reduction in force and modified its shift schedules to reduce the cost of overtime pay. As a result of these changes, Synthetech incurred \$53,000 of severance costs in the first quarter of fiscal 2010.

During the first quarter of fiscal 2010, Synthetech generated \$2.7 million in cash from operations and used \$168,000 to repay borrowings and for capital expenditures. The outstanding balance on our credit facility at the beginning and end of the first quarter of fiscal 2010 was \$-0-. During the quarter, working capital increased \$1.1 million to \$7.0 million as of June 30, 2009, compared to \$5.9 million at March 31, 2009.

Market Overview

We believe that Synthetech has been able to capitalize on new revenue opportunities because of our proprietary technology positions in both amino acid chemistry and multi-step chiral organic synthetic chemistry. Several large multi-national pharmaceutical companies have made a strategic decision to outsource more of their manufacturing requirements. We believe we are well positioned to compete for these new opportunities because of our long association with the pharmaceutical industry, large-scale domestic manufacturing facility, and experienced chemists and research and development group.

We have increasingly targeted market opportunities at both established and emerging biopharmaceutical and chemically based medical device companies. These opportunities are being driven in large part by the need of large pharmaceutical companies to develop new drugs. A number of block-buster drugs will lose patent protection and become generic over the next five years, and large

pharmaceutical companies are seeking to offset the impact of this development with increased internal drug development efforts augmented by the in-licensing of promising new drug candidates from emerging biopharmaceutical companies. Most emerging biopharmaceutical companies have limited manufacturing expertise, which we believe provides a company like Synthetech with additional market opportunities.

Synthetech's revenues are largely based on the status of individual, large-scale customer projects and can vary significantly from period to period and by customer market category. Approximate revenue by customer market category for all types of projects for the first quarters of fiscal 2010 and 2009 was as follows:

Customer Market Category	For the Three Months Ended June 30,	
	2009	2008
Major and mid-size pharmaceutical	\$ 3,845,000	\$ 3,022,000
Contract drug synthesis	262,000	743,000
Medical device	235,000	8,000
Emerging biopharmaceutical	210,000	825,000
Established biopharmaceutical	45,000	304,000
Other	67,000	15,000
Total revenue	\$ 4,664,000	\$ 4,917,000

Information relating to the above table includes the following:

- Increased revenue in the first quarter of fiscal 2010 from major and mid-size pharmaceutical companies was primarily the result of growth in existing large-scale projects. We believe that our fiscal 2010 revenue from major and mid-size pharmaceutical companies may be mildly impacted by the current economic downturn. However, we believe that future revenue from these types of companies will depend more upon the status of individual drug development projects and customer acceptance of marketed products rather than on the prevailing economic environment.
- A portion of our fiscal 2010 revenue from contract drug synthesis companies will be affected by business that they receive from emerging biopharmaceutical customers. To a larger extent, our fiscal 2010 revenues from this customer category will depend upon the status of individual drug development and marketed projects which we supply material for.
- Medical device revenue for the first quarter of fiscal 2010 resulted from a project with a single customer. Due to high customer inventory levels we expect that any meaningful fiscal 2010 revenue from our medical device customers would be generated late in fiscal 2010, if at all.

- Despite the difficult economic environment, we continue to receive new orders and significant inquiries from some of our emerging biopharmaceutical customers. Due to expanding requirements from several drug development projects, we anticipate that fiscal 2010 revenues from this customer market category have the potential to outpace fiscal 2009 revenues.
- Revenue during fiscal 2009 from established biopharmaceutical companies was substantially composed of sales to a single company in support of a particular drug development project. We anticipate that fiscal 2010 revenue in this customer category may be comparable to or exceed fiscal 2009 revenue.

If, as a result of the recent economic environment, our customers are unsuccessful in generating sufficient revenue or are unable from securing financing, they may reduce their purchases of our products or not be able to pay, or may delay payment of, accounts receivable that are owed to us. In addition, the economic downturn may cause some of our customers to discontinue operations. Any inability of current or future customers to continue to purchase products or to pay us for purchased products would adversely affect our results of operations and cash flow.

Business Conditions

Synthetech's order backlog as of June 30, 2009 and 2008 was approximately \$4.6 million and \$6.9 million, respectively. We expect that a majority of the June 30, 2009 backlog will ship during the second quarter of fiscal 2010, which ends September 30, 2009, and substantially all of the remainder is scheduled to ship during the second half of fiscal 2010.

Our primary competition is from a variety of fine chemical companies headquartered in Western Europe. We continue to encounter competition from developing countries in Asia that have substantially lower cost structures. This trend has resulted in pricing pressures and is affecting our ability to maintain historical margins and to retain and attract business for some of our products.

Customer Project Pipeline

Our portfolio of clinical pipeline projects remains active and consists of a variety of projects with significant revenue generating potential. Many of these projects have the potential to grow into large-scale projects in the future.

Synthetech is involved in many active customer projects. Large-scale customer projects represent our main source of revenue. We are unable to determine with reasonable certainty our revenues relating to large-scale projects beyond our current order base, in part due to unpredictable drug approval processes and the short-term supply chain planning by many of our customers.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of revenues represented by each item included in our condensed Statements of Operations.

	Three Months Ended June 30,	
	2009	2008
Revenue	100.0%	100.0%
Cost of revenue	56.9	73.8
Gross income	43.1	26.2
Research and development	6.5	6.0
Selling, general and administrative	15.0	13.8
Total operating expenses	21.5	19.8
Operating income	21.6	6.4
Interest income	0.1	0.1
Interest expense	(0.9)	(0.5)
Income before income taxes	20.8	6.0
Income taxes	-	-
Net income	20.8%	6.0%

Revenue

Revenue of \$4.7 million for the first quarter of fiscal 2010 decreased by \$253,000, or 5%, from revenue of \$4.9 million for the first quarter of fiscal 2009.

Because large-scale customer projects represent our primary source of revenue, the size and timing of shipments related to these projects can cause significant fluctuations in quarter-to-quarter revenue. Revenue earned from four large-scale projects was \$3.6 million during the first quarter of fiscal 2010. These four large-scale projects support three drug development projects on behalf of two major pharmaceutical companies and a medical device project.

Revenue earned from three large-scale projects was \$2.4 million during the first quarter of fiscal 2009. These three large-scale projects support two drug development projects and one marketed drug and are on behalf of two major pharmaceutical companies and one emerging pharmaceutical company.

The market environment for smaller customer projects is active. While generally individually smaller in dollar value, these projects support a wide variety of programs for our major pharmaceutical, emerging and established biopharmaceutical and contract drug synthesis customers. Synthetech's

large-scale projects typically originate from our portfolio of successful small-scale early stage drug development projects.

International sales, mainly to Europe, were \$2.9 million and \$2.6 million in the first quarter of fiscal 2010 and 2009, respectively. International sales, like all of our revenues, are subject to significant quarterly fluctuations.

To the extent successful customer projects develop into larger volumes, either during late stage clinical trials, pre-launch or as a marketed product, Synthetech's per unit pricing may decline. There is a risk that the impact on future sales and profitability from declines in pricing may not be offset by an increase in volume.

The level of Synthetech's business from period to period is largely unpredictable. Although revenue associated with marketed products is more likely to provide a longer term, on-going revenue stream than revenue associated with drugs at the clinical or discovery stages, continuation of customer demand for our products from customers with marketed products remains subject to various market conditions, including potential use of alternative manufacturing methods, continued market demand for drugs that we support, and competition from other suppliers. Accordingly, while significant orders related to marketed products provide substantial and more predictable revenue, we expect revenue to continue to fluctuate from period to period.

Gross income

Gross income for the first quarter of fiscal 2010 increased \$722,000, to \$2.0 million, or 43% of revenue, compared to gross income of \$1.3 million, or 26% of revenue, for the first quarter of fiscal 2009. Gross income for the first quarter of fiscal 2010 benefited from: a more favorable product mix; improved throughput and efficiencies; and raw material and other cost reductions.

Gross income for the first quarter of fiscal 2009 was hindered by: lower than normal margins on certain products which encountered production difficulties in prior quarters; higher than average raw material costs on certain projects; and low margins on material purchased for direct resell.

Manufacturing department costs incurred during the first quarter of fiscal 2010 decreased \$64,000 compared to the comparable period of fiscal 2009. Manufacturing department costs for the first quarter of fiscal 2010 included approximately \$87,000 for employee incentives and severance costs compared to \$-0- in the comparable period of fiscal 2009.

Gross income for the first quarters of fiscal 2010 and 2009 reflect charges for impaired inventory of \$147,000 and \$191,000, respectively. Synthetech routinely develops manufacturing processes to produce new products or to refine procedures for existing products. It is not unusual for manufacturing costs associated with new processes or certain existing processes to exceed the selling price for batches of product, which results in an inventory write-off. It remains difficult to rework certain materials on a cost effective basis. Synthetech also writes-off inventory that is specific to any customer project that has been discontinued.

Cost of revenue includes raw materials, direct labor, manufacturing overhead, other direct costs, and adjustments to inventory.

Operating Expenses

R&D Expense. Research and development (R&D) expense for the first quarter of fiscal 2010 increased \$6,000 to \$303,000, or 6% of revenue, compared to \$297,000, or 6% of revenue, for the first quarter of fiscal 2009.

Synthetech's R&D department primarily develops processes to manufacture and optimize the production of our products and their related scale-up to manufacturing quantities. Additionally, the R&D department assists in the manufacture small-scale products for sale. The cost of producing these small-scale products is captured in inventory and not reflected in R&D expense. The amount of R&D department costs charged to the manufacture of small scale products can cause fluctuations between reporting periods in the amount of reported R&D expense. R&D department costs charged to inventory in the first three months of fiscal 2010 and 2009 were \$33,000 and \$41,000, respectively.

SG&A Expense. Selling, general and administrative (SG&A) expense for the first quarter of fiscal 2010 increased \$24,000 to \$702,000, or 15% of revenue, compared to \$678,000, or 14% of revenue, in the first quarter of fiscal 2009. The increase in the components of SG&A expense between the two periods included:

- An aggregate increase in compensation expense of \$94,000, primarily composed of an increase in employee incentives of \$101,000, less net aggregate decreases in salaries and benefits of \$7,000; and
- A net aggregate decrease in professional fees, travel and other expense categories of \$70,000.

SG&A expense consists of compensation and related fringe benefits for sales and administrative employees, costs of professional services, marketing costs, costs associated with being a public company, and costs related to administrative facilities and information services.

Interest Expense

Interest expense in the first quarter of fiscal 2010 was \$40,000, compared to \$24,000 in the same period of fiscal 2009. Synthetech's interest expense is primarily derived from expense on its long-term debt, line of credit and notes payable. The increase in interest expense between the periods primarily relates to the level of borrowings and the interest rates in effect during the periods.

Income Taxes

Based on Synthetech's history of losses in certain prior years and management's evaluation of available tax planning strategies, we have concluded that for the foreseeable future Synthetech may be unable to recognize its net deferred tax assets as an income tax benefit, continuing for an uncertain period of time.

Net Income

As a result of the foregoing factors, net income for the first quarter of fiscal 2010 was \$969,000, compared to net income of \$295,000 for the comparable period of fiscal 2009.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of Synthetech's financial condition and results of operations are based upon its financial statements, which have been prepared in conformity with generally accepted accounting principles in the United States. The preparation of these financial statements requires Synthetech to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, Synthetech evaluates its estimates, including those related to deferred tax asset realization, inventory realization, allowance for doubtful accounts and long-lived asset impairments. Synthetech bases its estimates on historical experience and on various other assumptions. Actual results may differ from these estimates under different assumptions or conditions. Synthetech believes the following are among the critical accounting policies and the related judgments and estimates that affect the preparation of its financial statements. Please see the Notes to the Financial Statements under Item 1.

Allowance for Doubtful Accounts

We analyze a customer's creditworthiness by reviewing the customer's payment history and financial stability. We establish the allowance for doubtful accounts by reviewing aged accounts receivables and the collectability of specific accounts. The allowance for doubtful accounts as of June 30, 2009 and March 31, 2009 was \$15,000. Synthetech's provision for credit losses for the first quarters of fiscal 2010 and 2009 were insignificant. If circumstances related to a specific customer change, Synthetech's estimate of the recoverability of receivables could materially change.

Inventories

Inventories are valued at the lower of cost or market value, determined on the first-in first-out (FIFO) basis. Costs include direct material, direct labor, applicable manufacturing overhead, and other direct costs.

Management evaluates Synthetech's inventory for impairment whenever it becomes aware that indicators of impairment exist. Factors contributing to inventory impairment include, but are not limited to: decreases in selling price; changes in customer specifications; project terminations or holds; variations in material produced by Synthetech from customer specifications; and production costs materially in excess of current market price. It is our policy to write-down inventories to reflect an estimate for impairment in an amount equal to the excess, if any, of the cost of inventory compared to the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required in the future. Write-downs of inventory are reported as a component of cost of revenue in the relevant period.

Long-Lived Asset Impairment

In accordance with the provisions of SFAS No. 144, Synthetech assesses the impairment of long-lived assets such as property, plant and equipment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors that could trigger an impairment review include, among others:

- a significant change in the extent or manner in which a long-lived asset is being used;
- a significant change in the business climate that could affect the value of a long-lived asset;
- and
- a significant decrease in the market value of assets.

If Synthetech determines that the carrying value of long-lived assets may not be recoverable, based upon the existence of one or more indicators of impairment, we compare the carrying value of the asset group to the undiscounted cash flows expected to be generated by the asset group. If the carrying value exceeds the undiscounted cash flows, we may record an impairment charge. We recognize an impairment charge to the extent that the carrying amount of the asset group exceeds its fair value and will reduce only the carrying amount of the long-lived assets.

Revenue Recognition

Synthetech recognizes revenue, including shipping and handling charges billed to customers, when the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- Synthetech's price to our customer is fixed or determinable; and
- collectability is reasonably assured.

Shipping and handling costs are classified as part of cost of revenue. Synthetech analyzes its agreements to determine whether elements can be separated and accounted for individually or as a single unit of accounting in accordance with EITF No. 00-21, "Revenue Arrangements with Multiple Deliverables," and SAB 104, "Revenue Recognition." Allocation of revenue to individual elements which would qualify for separate accounting is based on the estimated fair value of the respective elements.

INDUSTRY FACTORS

Market Factors

The market for Synthetech's products is driven by the market for the drugs into which they are incorporated. The drug development process is dictated by the marketplace, drug companies and the regulatory environment. Synthetech has no control over the pace of these drug development efforts, which drugs get selected for clinical trials, which drugs are approved by the FDA or, even if approved, the ultimate market potential of the drugs.

The three stages of the drug development process include R&D (or discovery stage), clinical trial stage and marketed drug stage. Synthetech's customers can spend years researching and developing new drugs, and take only a small percentage to clinical trials and fewer yet to commercial market. A substantial amount of activity continues to occur at the earlier stages of R&D and clinical trials.

Recurring sales of our products for development programs are intermittent. Once Synthetech ships an order to a customer for clinical trial studies, the next order may not be placed for one to two years later as a result of waiting for results from these ongoing studies. Because of the inherent risk associated with drug development programs, there is a significant likelihood that there will be no "follow-on" sales for any particular drug development program. Accordingly, the level and timing of customer orders relating to specific drug development programs vary substantially from period to period and we cannot rely on any one customer as a constant source of revenue.

The size of customer orders for marketed drugs can be substantially larger than those for the discovery or clinical trial stages. Sales of Synthetech's products for marketed drugs may provide an opportunity for continuing, longer-term sales. While not subject to the same high cancellation rates faced by discovery and clinical trial-stage drug development programs, the demand for approved drugs remains subject to many uncertainties, including price, side effects and the existence of competing drugs. These factors, which are outside of Synthetech's control, affect the level of demand for the drug itself and, therefore, the demand for Synthetech's products. Also, industry cost pressures can cause pharmaceutical companies to explore and ultimately adopt alternative manufacturing processes that may not include Synthetech's products as an intermediate. In recent years, the international fine chemicals industry has been marked by overcapacity and a resulting downward pressure on pricing. Downward pressure on pricing remains persistent. To the extent we are able to enter into longer-term, significant or large-scale orders with customers, we expect increased competition to supply these products.

Due to the foregoing industry factors, Synthetech cannot predict with reasonable certainty future demand beyond its current order base, and existing orders may be subject to cancellation or delay by customers. Until there is stable demand for our products, we are likely to continue to experience significant fluctuations in our periodic results.

Production Factors

Synthetech has a full cycle "grams to tons" production capability and has made over 500 products. With over 20 years of experience, Synthetech has developed extensive process technology and is recognized as one of the leaders in our area of expertise. Nevertheless, initial batches of new products and scaling up production processes for existing products may result in significantly lower than expected yields and extended processing time, and may require substantial rework to meet the required

customer specifications. These factors could cause increased costs and delayed shipments, either of which could negatively affect periodic operating results.

LIQUIDITY AND CAPITAL RESOURCES

Synthetech's cash and cash equivalents totaled \$3.1 million at June 30, 2009, compared to \$588,000 at March 31, 2009.

At June 30, 2009, Synthetech reported working capital of \$7.0 million, compared to \$5.9 million at March 31, 2009. The \$1.1 million increase in working capital between the two periods was primarily the result of net income for the three month period of \$969,000, non-cash charges for depreciation of \$137,000 and for stock based compensation of \$12,000, partially offset by repayments of long-term debt of \$53,000 and capital expenditures of \$15,000.

We generated cash in our operating activities of \$2.7 million in the first three months of fiscal 2010, compared to cash used in operating activities of \$422,000 in the first three months of fiscal 2009.

In the first three months of fiscal 2010, net income of \$969,000, adjusted for non-cash charges for depreciation and stock-based compensation expense of \$137,000 and \$12,000, respectively, contributed \$1.1 million to cash provided by operating activities. Accounts receivable decreased \$1.9 million to \$795,000 at June 30, 2009, from \$2.7 million at March 31, 2009, primarily due to the timing and level of shipments between the two quarters. Inventory increased \$126,000 to \$5.2 million at June 30, 2009, from \$5.0 million at March 31, 2009. Finished good inventory increased \$356,000 for the quarter in response to customer orders and increases in quantities of commonly sold items. Primarily as a result of the amortization of insurance premiums and property taxes, prepaid expenses decreased \$99,000 to \$239,000 at June 30, 2009, from \$338,000 at March 31, 2009. Accounts payable decreased \$509,000 to \$746,000 at June 30, 2009, from \$1.3 million at March 31, 2009. Accrued compensation, which is primarily composed of accrued employee incentives, accrued vacation pay and accrued compensation increased \$208,000 to \$1.3 million at June 30, 2009, from \$1.0 million at March 31, 2009. Employee incentives approximating \$700,000, which were earned in fiscal 2009, were paid to employees in July 2009. Other accrued liabilities decreased \$5,000 to \$18,000 at June 30, 2009, from \$23,000 at March 31, 2009.

Cash used in investing activities for the first three months of fiscal 2010 was \$15,000 compared to \$336,000 in fiscal 2009. All these amounts relate to capital expenditures. Synthetech's capital budget for fiscal 2010 is \$1.0 million and is intended to increase manufacturing and analytical capacity, address opportunities for cost savings and replace aging equipment. As a result of the recent difficult economic environment, Synthetech will closely manage and may defer certain of its capital expenditures scheduled for fiscal 2010. Synthetech expects to finance additional capital expenditures from cash on hand, internal cash flow or debt financing.

Cash used in financing activities for the first three months of fiscal 2010 was \$153,000, compared to cash used in financing activities of \$87,000 in the first three months of fiscal 2009. During the first three months of fiscal 2010 Synthetech had scheduled debt repayments of \$153,000. During the first three months of fiscal 2009 Synthetech borrowed \$550,000 pursuant to a long-term promissory note and had debt repayments of \$637,000.

Cash and cash equivalents increased \$2.5 million during the first three months of fiscal 2010, to \$3.1 million at June 30, 2010, from \$588,000 at March 31, 2009.

The downturn in the economic environment and resulting difficulties in the credit markets have not had a significant unfavorable impact on Synthetech's business and resulting cash flows in the first quarter of fiscal 2010 or during fiscal 2009. We have yet to be able to ascertain if the difficult economic environment will have a significantly unfavorable impact on Synthetech's fiscal 2010 operations and resulting cash flows.

As noted above, for the first quarter of fiscal 2010, our primary sources of cash included funds generated from operations, we had no borrowings under our \$2.0 million line of credit and term loans. Currently, we do not anticipate a need to enter into additional debt facilities, but may do so as needs arise or to provide flexibility for working capital purposes. From time to time, we may explore options to refinance our borrowings.

As noted above, as of June 30, 2010 we had \$3.1 million of cash and cash equivalents, \$795,000 of accounts receivable, no outstanding borrowings under our line of credit, and our backlog was \$4.6 million. Our line of credit facility matures in September 2010 and our term debt facilities mature in fiscal 2012. Based on these items and other assessments by management, we believe that our existing cash and cash equivalents, anticipated availability under our line of credit facility, and any funds generated from operations will be sufficient to support our operations for the next twelve months. However, any projections of future cash needs and cash flows are subject to substantial uncertainty. There can be no assurance that current cash and cash equivalent balances and any proceeds that may be available under our line of credit facility or any funds generated from operations or from other sources will be sufficient to satisfy our liquidity requirements.

Synthetech's current lender is a finance company that receives its liquidity and lending capacity from bank borrowings. If, as a result of the recent difficulties in the credit markets or otherwise, our lender is unable to borrow funds from its banks, then our ability to borrow under our line of credit with the lender or refinance our term debt with such lender if needed would be impaired. In addition, we are subject to a cash management system as part of our credit facility arrangement pursuant to which a significant portion of our cash flows to accounts controlled by our lender. If the current economic difficulties or other factors were to affect the continued viability of our lender, our access to cash subject to this system could be harmed. We currently believe our lender will remain viable.

OFF-BALANCE SHEET ARRANGEMENTS

Synthetech does not have special purpose entities or other off-balance sheet financing techniques that we believe have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources. As of June 30, 2009, Synthetech has employee agreements with its President and Chief Executive Officer, Vice President of Finance and Chief Financial Officer and Director of Operations. The agreements generally provide that a termination of the executive without "cause" (as defined) or termination by the executive for "good reason" (as defined) obligates us to pay certain severance benefits specified in the agreement.

Item 4T. Controls and Procedures

Synthetech maintains a system of disclosure controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in our reports under the Securities Exchange Act of 1934. In accordance with Rule 13a-15(b) of the Securities and Exchange Act of 1934, our management evaluated, under the supervision and with the participation of our principal executive officer and principal financial officer, the effectiveness of the design and operation of Synthetech's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and the principal financial officer concluded that Synthetech's disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting during the first quarter ended June 30, 2009 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Synthetech's principal executive officer and principal financial officer do not expect that our disclosure controls and internal controls will prevent all errors and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive officer and principal financial officer have determined that they are effective in doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Synthetech have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple mistakes or errors. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part 1, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended March 31, 2009, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing Synthetech. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition and operating results.

Item 6. Exhibits

(a) Exhibits.

- Exhibit 3.1 Articles of Incorporation of Synthetech, as amended (incorporated by reference to the exhibits filed with Synthetech's Annual Report on Form 10-K for the fiscal year ended March 31, 1991).
- Exhibit 3.2 Bylaws of Synthetech, as amended (incorporated by reference to the exhibits filed with Synthetech's Annual Report on Form 10-K for the fiscal year ended March 31, 2005).
- Exhibit 4 Amended and Restated Rights Agreement, (incorporated by reference to Synthetech's Current Report on Form 8-K dated July 31, 2008).
- Exhibit 31.1 Rule 13a-14(a) Certification of Chief Executive Officer.
- Exhibit 31.2 Rule 13a-14(a) Certification of Chief Financial Officer.
- Exhibit 32.1 Section 1350 Certification of Chief Executive Officer.
- Exhibit 32.2 Section 1350 Certification of Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SYNTHETECH, INC.
(Registrant)

Date: August 7, 2009

By: /s/ Gregory R. Hahn
Gregory R. Hahn
President and Chief Executive Officer

Date: August 7, 2009

By: /s/ Gary A. Weber
Gary A. Weber
Vice President Finance and
Chief Financial Officer

EXHIBIT 31.1
CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory R. Hahn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synthetech, 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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 registrant and we 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - 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 registrant'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 registrant's internal controls over financial reporting.

Date: August 7, 2009

By: /s/ Gregory R. Hahn
Title: President and Chief Executive Officer

EXHIBIT 31.2
CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Gary A. Weber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synthetech, 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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 registrant and we 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - 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 registrant'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 registrant's internal controls over financial reporting.

Date: August 7, 2009

By: /s/ Gary A. Weber

Title: Vice President Finance and Chief 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 Synthetech, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Gregory R. Hahn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory R. Hahn
Gregory R. Hahn
President and Chief Executive Officer
August 7, 2009

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 Quarterly Report of Synthetech, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Gary A. Weber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary A. Weber

Gary A. Weber
Vice President Finance and
Chief Financial Officer
August 7, 2009