

BION ENVIRONMENTAL TECHNOLOGIES INC  
Form 10SB12G  
November 14, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES  
OF SMALL BUSINESS ISSUERS  
Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

BION ENVIRONMENTAL TECHNOLOGIES, INC.  
(Name of small business issuer as specified in its charter)

Colorado  
(State or other jurisdiction of  
incorporation or organization)

84-1176672  
(I.R.S. Employer  
Identification No.)

641 Lexington Avenue, 17th Floor  
New York, New York  
(Address of Principal Executive Offices)

10022  
(Zip Code)

Issuer's Telephone Number, including area code:  
212-758-6622

Securities to be registered under Section 12(b) of the Act:

None

Securities to be registered under Section 12(g) of the Act:

Common Stock, no par value

#### Forward-Looking Statements

This Report contains, in addition to historical information, forward-looking statements regarding BION ENVIRONMENTAL TECHNOLOGIES, INC. (the "Company"), which represent the Company's expectations or beliefs including, but not limited to, statements concerning the Company's operations, performance, financial condition, business strategies, and other information and that involve substantial risks and uncertainties. The Company's actual results of operations, most of which are beyond the Company's control, could differ materially. For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," "continue" or the negative or other variations thereof or

# Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

comparable terminology are intended to identify forward-looking statements. Factors that could cause or contribute to such difference include, but are not limited to, limited operating history; uncertain nature of environmental regulation and operations; risks of development of first of their kind Integrated Projects; need for additional financing; competition; dependence on management; and other factors discussed herein.

2

## TABLE OF CONTENTS

	Page
INFORMATION REQUIRED IN REGISTRATION STATEMENT	
ITEM 1. DESCRIPTION OF BUSINESS .....	4
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION .....	25
ITEM 3. DESCRIPTION OF PROPERTY .....	32
ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT .....	32
ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS AND	

# Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

	CONTROL PERSONS .....	36
ITEM 6.	EXECUTIVE COMPENSATION .....	42
ITEM 7.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS .....	47
ITEM 8.	DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED .....	48

## PART II

	ITEM 1. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS .....	48
ITEM 2.	LEGAL PROCEEDINGS .....	49
ITEM 3.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS .....	50
ITEM 4.	RECENT SALES OF UNREGISTERED SECURITIES .....	50
ITEM 5.	INDEMNIFICATION OF DIRECTORS AND OFFICERS .....	51

## PART F/S

	FINANCIAL STATEMENTS .....	51
--	----------------------------	----

## PART III

	ITEM 1. INDEX TO EXHIBITS .....	52
ITEM 2.	DESCRIPTION OF EXHIBITS .....	52

### ITEM 1. DESCRIPTION OF BUSINESS

#### General

Bion Environmental Technologies, Inc.'s ("Bion," "Company," "We," "Us," or "Our") patented and proprietary technology provides a comprehensive environmental solution to the single largest source of pollution in US agriculture, Confined Animal Feeding Operations ("CAFO's"). Bion's technology is 'comprehensive' in that it surpasses current environmental regulations for both nutrient releases to water and air emissions from livestock waste streams. Additionally, we believe that Bion's technology platform allows the integration of ethanol production, renewable energy production and on-site energy utilization with large-scale CAFO's (and their end-product users) in an environmentally and economically sustainable manner while reducing the aggregate capital expense and operating costs for the entire integrated complex. The Company intends to focus its efforts on development and operation of Integrated Projects based on Bion's waste handling/renewable energy technology platform ("Bion Systems" or "Systems") integrating large-scale CAFO's and ethanol production ("Projects" or "Integrated Projects").

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

### Principal Products and Services

Currently, Bion is focused on using applications of its patented waste management technology to develop Integrated Projects which will include large CAFOs, such as large dairies, beef cattle feed lots and hog farms, with Bion waste treatment System modules processing the aggregate CAFO waste stream from the equivalent of 20,000 to 40,000 or more dairy cows (or the waste stream equivalent of other species) while producing solids to be utilized for renewable energy production and to be marketed as feed and/or fertilizer, integrated with an ethanol plant capable of producing 20 million to 40 (or more) million gallons of ethanol per year. Such Integrated Projects will involve multiple CAFO modules of 10,000 or more dairy cows (or waste stream equivalent of other species) on a single site and/or within an approximately 30 mile radius. Bion believes its technology platform will allow integration of large-scale CAFO's with ethanol production, renewable energy production from waste streams and on-site energy utilization in a manner that reduces the capital expenditures and operating costs for the entire Integrated Project and each component facility.

Bion is currently working with local, state and federal officials and with potential industry participants to evaluate sites in multiple states and anticipates selecting a site for its initial Project during the 2007 fiscal year. In addition, Bion intends to choose sites for additional Projects from early 2007 through 2008 to create a pipeline of Projects. Management has a 5-year development target (through calendar year 2011) of approximately 12-25 Integrated Projects. At the end of the 5-year period, Bion projects that 8-16 of these Integrated Projects will be in full operation in 3-8 states, and the balance would be in various stages ranging from partial operation to early construction stage. No Integrated Project has been developed to date.

Bion is presently establishing its implementation management team with the intention of commencing development and construction of an initial Project during 2007.

4

The Company's successful accomplishment of these activities is dependent upon many factors including the following, neither of which can be assured at this date:

- \* Successful development and completion of the first Project to demonstrate the operation of a fully integrated, environmentally compliant, Bion-based CAFO/ethanol Project at a profitable level; and
- \* Our ability to raise sufficient funds to allow us to finance our activities.

### Industry Background

The traditional business model for CAFO's, regardless of livestock type, has relied on a combination of: 1) a passive environmental regulatory regime, and 2) access to a relatively unlimited supply of cheap land and water to serve as the basis for 'environmental' treatment of animal waste. Such land and water resources have now become significantly more expensive while ongoing consolidation of the CAFO industry has produced a substantially increased and more concentrated waste streams. At the same time, regulatory scrutiny of, and public concern about, the environmental impact from CAFO's has intensified greatly.

Agricultural runoff is the largest water pollution problem in the United

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

States. Over-application of animal waste to cropland has resulted in manure nutrients polluting surface and ground water systems, adversely impacting water quality throughout the country. Clean-up initiatives for the Chesapeake Bay and the Great Lakes (and elsewhere) are requiring the expenditure of substantial sums of money to reduce excess nutrient pollution. In each such case, agriculture in general and CAFO's in particular have been identified among the main contributors of pollution. CAFO's are also significant emitters of pollutants to air, with dairies having been identified as the largest contributor to airborne ammonia and other polluting gases in the critically impaired region of the San Joaquin Valley.

We believe Bion's technology will enable increased CAFO herd concentration that is economically and environmentally sustainable because the technology removes nutrients from the waste streams generated by animal operations while dramatically reducing atmospheric emissions. The resulting herd concentration potentially creates reduced marginal costs and results in a core Bion technology platform that integrates environmental treatment and renewable energy production and utilization with ethanol production.

Bion's technology platform and the resulting herd concentration, in turn, potentially provide the opportunity to integrate a number of revenue generating operations while maximizing the realized value of the renewable energy production. The Bion model will access diversified revenue streams through a fully balanced integration of technologies to provide a hedge of the commodity risks associated with any of the separate enterprises. We believe that the Bion's Integrated Projects will generate revenues and profits from:

- \* Waste processing and technology licensing fees;
- \* High-value organic fertilizer and/or high protein feed products;

5

- \* Fees related to permanently integrated utilization of the wet distiller grains, which are a by-product of ethanol production;
- \* Renewable energy production from the waste streams combined with on-site utilization of the energy produced; and
- \* Ethanol production.

We believe that our technology platform and the proposed Projects do not involve significant technology risk. Our waste handling technology has been utilized in the past efficiently and has been verified by peer-reviewed data. The other Project components required for an integrated operation, such as CAFO facilities, ethanol plants and solids drying and combustion equipment, all consist of available and fully-tested processes and equipment that do not pose any experimental challenges once properly sized, selected and installed. It is Bion's ability to integrate the component parts in a balanced proportion with large CAFO herds in an environmentally sustainable manner that creates this unique economic opportunity. Bion has a patent pending relating to the Bion integration model described herein.

This integration will include:

- \* An ethanol plant sized to balance with the feed requirements of the CAFO herd. Beyond the production of ethanol, the ethanol facility will function as a feed mill for the CAFO herd which will utilize the spent grain from ethanol production in its feed ration, materially reducing the operating expenses (energy and transportation) and capital expenditure requirements (for items such as dryers) and increasing the net energy efficiency of

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

ethanol production;

- \* Additionally, the ethanol plant will be a source of waste heat (which, if not utilized, increases ethanol production costs for required disposal) that will be used to pre-heat the CAFO waste stream to maintain temperatures throughout the co-located Bion System. In colder climates, additional uses of this waste heat will potentially include heating the CAFO facilities;
- \* Drying and processing of the fine solids portion of the manure stream into a value-added, marketable, organic fertilizer and/or high protein feed products; and
- \* Processing, drying and combusting the coarse solids portion of the manure stream to produce heat used for solids drying and ethanol production.

### Corporate Background

The Company is a Colorado corporation organized on December 31, 1987. Our principal executive offices are located at 641 Lexington Avenue, 17th Floor, New York, New York 10022. Our telephone number at that address is 212-758-6622. We have no additional offices at this time.

6

### Development of our Business

Substantially all of our business and operations are conducted through three wholly owned subsidiaries, Bion Technologies, Inc. (a Colorado corporation organized September 20, 1989), BionSoil, Inc. (a Colorado corporation organized June 3, 1996) and Bion Dairy Corporation ("Bion Dairy") (formerly Bion Municipal, Inc., a Colorado corporation organized July 23, 1999). Bion is also the parent of Bion International, Inc. (a Colorado corporation organized July 23, 1999), which is a wholly-owned, presently inactive subsidiary. Bion is also the parent of Dairy Parks, LLC (an inactive Delaware entity organized July 25, 2001). In January 2002, Bion entered into a series of transactions whereby the Company became a 57.7% owner of Centerpoint Corporation (a Delaware corporation organized August 9, 1995) ("Centerpoint").

Although we have been conducting business since 1989, we entered a technology application re-development stage during fiscal 2002 in which we remain pending commencement of development of an initial Integrated Project.

Our original systems were wastewater treatment systems for dairy farms and food processing plants. The basic design was modified in late 1994 to create Nutrient Management Systems ("NMS") that produced organic soil products as a byproduct of remediation of the waste stream when installed on large dairy or swine farms. Through June 30, 2001, we sold and subsequently installed, in the aggregate, 32 of these first generation systems in 7 states, of which we believe approximately 15 are still in operation in 3 states. We discontinued marketing of our first generation NMS systems during fiscal year 2002. We were unable to produce a business model based on the first generation technology that would generate sufficient revenues to create a profitable business. While continuing to market and operate the first generation systems during the second half of calendar year 2000, we began to focus our activities on developing the next generation of the Bion technology. We no longer operate or own any of the first generation NMS systems.

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

As a result of our research and development efforts, the core of our current technology was developed during fiscal years 2001-2003. We have designed and tested Systems that use state-of-the-art, computerized, real-time monitoring and system control with the potential to be remotely accessed for both reporting requirements and control functions. These Systems are smaller, faster and require less capital per animal than our first generation NMS systems. The new generation of Bion Systems is designed to harvest solids used to produce our BionSoil(R) products in a few weeks as compared to six to twelve months with our first generation systems.

The first phase of this research and re-development, which was conducted during the summer and fall of 2000 at DreamMaker Dairy, our former research facility located outside Buffalo, New York, accelerated the speed of the Bion process in a System which was substantially less than 20% of the size of a comparable first generation system. We began second phase testing and development during the winter of 2000-2001, based on the faster, smaller System design at the DreamMaker Dairy. We placed the System into a configuration of enclosed tanks that fully contained the process. This configuration allowed control and monitoring of the entire System from all

7

inputs through all outputs. This closed tank system gave us the ability to perform complete mass balance calculations (measuring all inputs of the animal waste stream and all outputs from the System, including nitrogen and phosphorus, which are the two elements of most critical concern from a nutrient and water pollution control standpoint, and hydrogen sulfide and ammonia, which are two of the main compounds of critical concern from an air pollution control standpoint) on the System to produce the scientific/technical data necessary to demonstrate definitively the performance of our technology. Essentially, the tank configuration enabled our technical staff to convert the outputs of CAFO waste streams to a point-source equivalent for mass balance analysis. Initial results of the mass balance calculations demonstrated that phosphorus and nitrogen removals from the total waste stream approximated 80%. Additionally, measurements on the primary odor producing compounds indicate levels low enough to essentially eliminate odor problems associated with CAFO waste handling. In January 2002, we announced results of testing the fully contained Bion prototype at DreamMaker Dairy. The goals of that initiative (which were successfully reached) were to:

- \* Increase the efficiencies of the first generation system;
- \* Convert the core Bion technology into a platform-based System that could be potentially integrated with complementary technologies; and
- \* Develop a computerized monitoring and control system capable of precise measurements and adjustments and remote reporting.

During 2003 we designed, installed and began testing a commercial scale, second generation Bion System as a retrofit to an anaerobic lagoon on a 1,250 milking cow dairy farm in Texas known as the DeVries Dairy. In December 2004, Bion published an independently peer-reviewed report, a copy of which may be found on our website, [www.biontech.com](http://www.biontech.com), with data from the DeVries project demonstrating a reduction in nutrients (nitrogen and phosphorus) of approximately 75% and air emissions of approximately 95%. More specifically, those published results indicated that on a whole farm basis, the Bion System produced a 74% reduction of nitrogen and a 79% reduction of phosphorus. The

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

air results show that the Bion System limited emissions as follows: (in pounds per 1,400 pound dairy cow per year):

* Ammonia	0.20
* Hydrogen Sulfide	0.56
* Volatile Organic Compounds	0.08
* Nitrogen Oxides	0.17

These emissions represented a reduction from published baselines of 95%-99%.

The demonstration project at the DeVries Dairy in Texas (which remains in operation) has also provided Bion with the opportunity to explore mechanisms to best separate the processed manure into streams of coarse and fine solids, with the coarse solids supporting generation of renewable energy and the fine solids potentially becoming the basis of organic fertilizer products and/or a high protein animal feed ingredients.

8

For the past two years, Bion has focused on completing development of its technology platform and business model. As such, we have not pursued near term revenue opportunities such as retrofitting existing CAFO's with our waste management solutions, because such efforts would have diverted scarce management and financial resources and negatively impacted our ability to complete development of an integrated technology platform in support of large-scale sustainable Integrated Projects. We believe significant retrofit opportunities exist that may enable us to generate additional future revenue streams from Bion's technology. However, Bion's management team remains focused on implementation of its integrated technology platform as the basis for development of its large-scale Projects, which represents our long-term strategic goal.

We currently anticipate that Bion will be the developer and manager of, and a direct participant in and/or owner of components of, the Projects. As such, Bion will:

- \* Locate, secure and develop appropriate sites;
- \* Negotiate agreements with both input providers and in certain instances end-product users;
- \* Secure required permits based upon clear standards that establish acceptable environmental operating parameters for each component of the Integrated Projects;
- \* Manage construction and operation of the Projects; and
- \* Provide its waste treatment services to CAFO operators for a fee while producing renewable energy for on-site use (including sale to the ethanol plant) and fine solids products for sale.

In turn, the CAFO operator will use the wet distiller grains from the ethanol plant as a feed component for the herd at a long-term competitive price. The CAFO facilities, with their standards-based operating permits, can be owned either by the CAFO operator or by an independent third party finance source and subsequently leased to the CAFO operator. The CAFO operator will be responsible to provide its herd and operate the CAFO. In some instances, Bion will own direct interests in the CAFO herd, ethanol plant, end-product user and/or the related facilities in addition to its ownership interest in the Bion System.



## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

In June 2006, the Company entered into an agreement with Fair Oaks Dairy Farm ("FODF") to construct a Bion research/validation facility ("Stage I System") at FODF. The Stage I System will initially be used for testing necessary for: a) finalization of design criteria for permitting and construction of, and b) optimization of renewable energy production and utilization for, full scale Integrated Projects. We are currently in negotiations toward an amended agreement with FODF pursuant to which: a) the Company will construct a commercial scale Bion validation/optimization System designed to handle the waste stream from approximately 6200 milking cows ("Initial System") at existing FODF facilities in Indiana which will incorporate and expand the scope of the Stage I System; and b) when the

9

Initial System has completed start-up phase and demonstrated environmental results consistent with the DeVries results set forth above, the Initial System will become the basis of expansion into an Integrated Project at FODF through development stages including dairy expansion, construction of additional Bion System modules including renewable energy production and solids processing facilities and construction of an ethanol plant. It is anticipated that the amended agreement will be executed during November 2006. Preliminary engineering, design and site work at FODF has begun pursuant to the existing agreement and we anticipate commencement of construction during the next three (3) months. We anticipate completion of development of this Integrated Project during 2008.

### Acquisition of Centerpoint/Transactions with Centerpoint

On January 15, 2002, Bion issued 1,900,000 shares of its restricted common stock, valued at \$7.50 per share, to Centerpoint, in exchange for \$8,500,000 in cash and the assignment of claims relating to Centerpoint's transaction with Aprilia and other rights owned by Centerpoint for total consideration of \$14,250,000. Immediately upon consummation of the transaction with Centerpoint, Bion purchased a 57.7% majority interest in Centerpoint from Centerpoint's Italian parent, OAM, S.p.A. ("OAM") by issuing 100,000 shares of our common stock to OAM, a warrant to purchase an additional 100,000 shares of common stock valued at \$380,000, \$3,700,000 of cash, assignment of a loan receivable valued at \$3,263,000 and its rights acquired under claims receivable acquired from Centerpoint valued at \$2,487,000.

The agreements required additional Bion shares to be issued to Centerpoint and OAM if the Company raised equity at a price less than \$7.50 per share before the cumulative investment in the Company from unaffiliated third parties, from the date of this transaction equaled \$5 million. The number of additional shares to be issued would have been determined through a formula calculating the additional number of shares Centerpoint and OAM would have received if the transactions were consummated at the price per share of the subsequent equity financing. The Centerpoint transaction also required conversion of \$14,256,779 of notes payable (including interest) into 1,900,911 shares of our common stock. In addition, warrants to purchase 213,263 shares of our common stock had their exercise price decreased to \$7.50 and \$6.00. As described above, if the Company raised equity at a price less than \$7.50 per share, the Company would have needed to issue additional shares to the former holders of the converted notes as if the notes were converted into shares of the Company's common stock at the price per share of the subsequent equity financing.

The adjustment provisions in these agreements made it impossible for

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Bion to raise additional needed funds from the middle of 2002 through February 2003 (at which time Bion had run out of cash and liquid resources). This resulted in the financial crisis (and subsequent management turnover and curtailment of Bion's activities) described below. These provisions were finally amended in August 2003 as described below.

In March 2002, the Company and Centerpoint entered into an agreement effective January 15, 2002 whereby Centerpoint agreed to pay the Company

10

\$12,000 per month and issued a warrant to purchase 1,000,000 shares of Centerpoint's common stock at \$3.00 per share exercisable until March 14, 2007 for management services, support staff and office space. In addition, the Company agreed to advance to Centerpoint funds needed to cure its delinquencies with the SEC, distribute the Company's common shares to Centerpoint shareholders, to locate and acquire new business opportunities and for ongoing expenses. The Company had no obligation to make any advances in excess of \$500,000. All funds due the Company were evidenced by a convertible revolving promissory note, which bore interest at 1% per month, payable with accrued interest on March 15, 2003. This date was extendable by agreement between the Company and Centerpoint. The Company had the right to convert, at any time, all or a portion of the amount due under the promissory note in shares of Centerpoint's common stock at a conversion price of \$3.00 per share.

During March 2003, the Company and Centerpoint entered into an agreement (amended on April 23, 2003) which forgave sums due from Centerpoint to Bion (approximately \$450,000 at that time) and cancelled the warrants issued by Centerpoint to Bion in consideration of amending the terms of the January 2002 agreement between Bion and Centerpoint to remove the adjustment provisions (and other related provisions) described above. The shareholders of Centerpoint ratified the agreement on August 25, 2003. Such ratification enabled Bion to complete an agreement with OAM, S.p.A. on August 27, 2003 that removed the balance of the adjustment provisions.

Centerpoint delivered the shares of Bion it owned to its shareholders during January 2004. Centerpoint now has only nominal assets other than 631,528 Bion shares that it holds in anticipation of future delivery to its shareholders, of which shares Bion is the 'beneficial owner' of approximately 57.7% (approximately 399,011 shares) based on its ownership of Centerpoint. Centerpoint has declared a dividend of these shares to be distributed if and when a registration statement covering such shares is declared effective. When and if Centerpoint delivers the Bion shares to its shareholders, the Company will cancel the shares it receives and Centerpoint will effectively be a publicly held shell corporation.

### Financial and Management Crisis (2003-2005)

Bion suffered from severe financial difficulties commencing during the fall of 2002 and, as a result, elected to cease being a reporting company during January 2004 by filing a Form 15. These financial difficulties resulted in the resignation of nearly all of our officers and directors during February and March of 2003, and the termination of most of our employees. New management was able to retain our core technical staff, but we had to drastically curtail our business activities to include only those activities that were directly needed to complete development and testing of our second-generation technology as described above. The Company's financial difficulties resulted primarily from its inability to raise additional funds due to:

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

- \* Contractual anti-dilution provisions that were contained in the agreements related to the Centerpoint transactions that were completed during January 2002, and
- \* Fiduciary breaches by prior control persons of Centerpoint

11

which combined to undermine the Company and to prevent any reasonable financing from being completed by the Company.

The Company became aware of the negative implications of these anti-dilution provisions during the summer of 2002 while attempting to structure a needed financing, which financing attempts ultimately failed in January of 2003. Management attempted to either find alternative financing methods which could be reasonably completed and/or negotiate an amendment to amend or release such provisions. The inability to obtain an agreement to amend these provisions from the late summer of 2002 through February/March 2003 (and other related events) caused the Company's financial and management crisis. After months of negotiations commencing during February 2003, new management negotiated and executed agreements related to amending such provisions during late May 2003 and the provisions were finally amended effective August 27, 2003.

Thereafter, the Company was able to complete several relatively small financing rounds through Bion Dairy, one of our subsidiaries, during August-November of 2003 and May-June 2004. These financings enabled the Company to continue development work on our technology, but our operations were severely damaged during the period without financing. Not only did we have to terminate most of our activities and employees, but also we operated under such dire financial constraints through 2004 that the Company lost credibility with its historic vendors, creditors, the financial community and its existing shareholders and investors. As a result, the market price for the Company's stock fell sharply. In order to continue with our business activities and save the Company, we had to structure interim financing on extremely dilutive terms which has negatively affected our shareholders and will probably continue to negatively impact our ability to obtain future financing on reasonable terms.

On September 30, 2005, the Company, through Bion Dairy, completed a \$1,917,500 placement of convertible debt that caused, in conjunction with the Company's technical and financial progress, conversion of 100% of Bion Dairy's convertible debt (\$5,239,489, in aggregate, principal and accrued interest) into 3,847,217 shares of Bion's restricted common stock on that date. This closing and conversion marked the completion of Bion's recovery from the crisis it faced during 2003.

While we no longer face a severe working capital shortage, we still have no revenues. The Company will need to obtain additional capital to carry forward its operations and technology development and to satisfy existing creditors. There is no assurance the Company will be able to obtain the funds that it needs to stay in business, complete its technology development or to successfully develop its business.

### Recent Financings

#### SERIES A, A\*, B and B\* NOTES OF BION DAIRY

On August 25, 2003, Bion Dairy closed an initial stage of financing that consisted entirely of 2003 Series A Secured Convertible Notes ("Series A

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Notes") totaling \$1,117,500 (including issuance of notes to Chris-Dan, LLC

12

("Chris-Dan") in consideration of cancellation/exchange of \$600,000 of prior advances from Bright Capital, Ltd. ("Brightcap") (Brightcap and Chris-Dan are owned by Dominic Bassani, General Manager of Bion Dairy from April 2003 through September 2006 and a now full-time consultant to the Company) and of \$65,000 of prior advances from affiliates of David Mitchell, the former CEO of Bion). \$65,000 of the Series A Notes were sold to Mark A. Smith, our President. During November 2003, \$400,000 of Series A\* Notes were sold to our affiliate Centerpoint. During April 2004, an additional \$165,427.33 of Series A\* Notes were sold to Chris-Dan bringing the total issuance of Series A & A\* Notes to \$1,747,927.30. The Series A & Series A\* Notes are identical in all material aspects.

During the spring of 2004, Bion Dairy sold \$785,000 of 2003 Series B Secured Convertible Notes ("Series B Notes"), including \$10,000 to Mark A. Smith, our President. On June 30, 2004, Bion Dairy sold \$315,000 Series B\* Notes to Centerpoint and \$59,172.18 to Chris-Dan (in exchange/cancellation of prior advances from Brightcap) for a total issuance of \$1,159,172.18 of Series B & Series B\* Notes. The Series B and Series B\* Notes are identical in all material aspects.

At June 30, 2005, the largest holder of the Series A, A\*, B and B\* notes was Chris-Dan which owned \$974,599.51 original principal of the notes. The second largest note holder was Centerpoint which owned \$715,000 principal amount. Bion owned \$75,000 of the notes, which it received from Mark A. Smith, our President, on May 31, 2004.

All of these notes were converted as described below.

Additionally, on May 31, 2004 Mark A. Smith, our President, purchased \$135,000 of convertible promissory notes from the Company for cash (convertible into our common stock at \$1.50 per share) and exchanged his Bion Dairy Series A & Series B Notes (described above) for convertible notes of the Company with identical conversion prices. All of Mr. Smith's notes were converted into restricted common stock of the Company (209,997 shares, in aggregate) on December 31, 2005. Further, Mr. Smith converted \$55,000 and \$60,000 of deferred compensation to 50,000 and 30,000 shares of the Company's restricted common stock on December 31, 2004 and 2005, respectively.

### SERIES C NOTES AND CONVERSION OF SERIES A, A\*, B, B\* & C NOTES OF BION DAIRY

On September 30, 2005, the Company, through Bion Dairy, completed a \$1,917,500 placement of Series C Notes that caused, in conjunction with the Company's technical progress and agreements with certain creditors, conversion of 100% of Bion Dairy's convertible debt (\$5,239,489, in aggregate, principal and accrued interest) into the Company's restricted common stock on that date according to their terms. The Series C Notes were identical to the other Notes in all material respects except for a \$2.00 conversion price.

In conversion of the Series A, A\*, B, B\*, & C Notes, respectively, the Company issued 1,381,031, 645,753, 581,883, 274,434 and 964,117 shares of its restricted common stock including issuance of:

13

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

- \* 83,340 shares to Bion which have been cancelled as treasury stock (from the Series A & Series B Notes acquired from Mr. Smith as described above);
- \* 691,528 shares to Centerpoint, of which shares Bion is the "beneficial owner" of 57.7% (approximately 399,011 shares) based on its ownership of Centerpoint. Centerpoint has declared a dividend of these shares. When and if Centerpoint delivers shares to its shareholders, the Company will cancel the shares it receives upon receipt;
- \* 1,005,692 shares to Chris-Dan, of which Dominic Bassani, former General Manager of Bion Dairy, is the owner.

### DECEMBER 2005 PRIVATE PLACEMENT OF COMMON STOCK

On December 23, 2005 Bion closed an offering of its restricted common stock at a price of \$4.00 per share that raised net proceeds of \$1,136,500. We also issued 3,750 shares of common stock as commissions in connection with the financing.

### 2006 SERIES A CONVERTIBLE PROMISSORY NOTES

On September 13, 2006, Bion closed an offering of its Series A Convertible Promissory Notes in the principal amount of \$700,000. The notes earn interest at the rate of 6%, payable on May 31, 2008, the maturity of the notes. All principal and accrued interest under the notes are required to be converted into common shares of Bion at the rate of \$6 per share if the closing market price of Bion's common stock has been at or above \$7.20 per share for 10 consecutive trading days and the earlier to occur of (i) an effective registration statement allowing public resale of the shares received upon conversion of the notes or (ii) one year after September 13, 2006. No conversion may occur unless Bion is a "reporting company" with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended ("Exchange Act"). The notes may also be converted, in whole or in part, at the election of the noteholders.

### Competition

There are a significant number of competitors in the waste treatment industry who are working on animal related pollution issues. This competition is increasing with the growing governmental and public concern focused on pollution due to CAFO wastes. Anaerobic lagoons are the most common traditional treatment process for animal waste on large farms within the swine and dairy industries. These lagoons are coming under increasing regulatory pressure due to associated odor, nutrient management and water quality issues and are facing possible phase-out in some states. Although we believe that Bion has the most economically and technologically viable solution for the current problems, other alternative (though partial) solutions do exist including, for example, synthetic lagoon covers, methane digesters, multistage anaerobic lagoons and solids separators. Additionally, many efforts are underway to develop and test new technologies.

Our ability to compete is dependent upon our ability to obtain required approvals and licenses from regulatory authorities and upon our ability to

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

introduce and market our Systems in the appropriate markets.

There is also extensive competition in the ethanol production, potting soil, organic soil amendment, fertilizer and organic fertilizer and feed ingredient markets. There are many companies that are already selling products to satisfy demand in the sectors of these markets we are trying to enter. Many of these companies have established marketing and sales organizations and retail customer commitments, are supporting their products with advertising, sometimes on a national basis, and have developed brand name recognition and customer loyalty in many cases.

### Dependence on One or a Few Major Customers

We will be dependent upon one or a few major customers. Our business model is focused on development of Integrated Projects. We anticipate initially developing, owning interests in, and operating only one or a few fully Integrated Projects commencing during fiscal 2007, and, thereafter, developing a limited number of Projects at a time. Thus, at least for the near future, our revenues will be dependent on a few major Projects or customers.

### Patents

We are the sole owner of eight United States patents, one Canadian patent and one New Zealand patent:

- \* U.S. Patent No. 4,721,569, Phosphorus Treatment Process, expires April 2007.
- \* U.S. Patent No. 5,078,882, Bioconversion Reactor and System, expires March 2010.
- \* U.S. Patent No. 5,472,472, Animal Waste Bioconversion System, expires September 2013.
- \* U.S. Patent No. 5,538,529, Bioconverted Nutrient Rich Humus, expires August 2014.
- \* U.S. Patent No. 5,626,644, Storm Water Remediation Bioconversion System, expires October 2015.
- \* U.S. Patent No. 5,755,852, Bioconverted Nutrient Rich Humus, expires July 2016.
- \* U.S. Patent No. 6,689,274, Low Oxygen Waste Bioconversion System, expires November 2020.
- \* U.S. Patent No. 6,908,495, extension of Low Oxygen Waste Bioconversion System, expires June 2023.
- \* Canadian Patent No. 1,336,623, Aqueous Stream Treatment Process, expires August 2012.
- \* New Zealand Patent No. 526,342, Low Oxygen Organic Waste Bioconversion System, expires November 8, 2021.

On April 15, 2005, we filed a patent application titled "Low Oxygen Biologically Mediated Nutrient Removal." The application number is 11/106,751.

On June 5, 2006, we filed a patent application titled "Environmentally Compatible Integrated Food and Energy Production System". No application number has yet been assigned.

In addition to such factors as innovation, technological expertise and experienced personnel, we believe that a strong patent position is

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

increasingly important to compete effectively in the businesses on which we are focused. It is likely that we will file applications for additional patents in the future. There is, however, no assurance that any such patents will be granted.

It may become necessary or desirable in the future for us to obtain patent and technology licenses from other companies relating to technologies that may be employed in future products or processes. To date, we have not received notices of claimed infringement of patents based on our existing processes or products, but due to the nature of the industry, we may receive such claims in the future.

We generally require all of our employees and consultants, including our management, to sign a non-disclosure and invention assignment agreement upon employment with us.

### Research and Development

During the year ended June 30, 2006 we spent \$3,809,716 (including non-cash expenditures) on undertaking research and development related to our technology platform applications in support of large-scale, economically and environmentally sustainable Integrated Projects. Bion's main efforts were directed at further development of our technology and its applications based primarily on activities at the DeVries Dairy. In addition, substantial research and development activity was focused on design and refinement of all aspects of the technology and integration engineering related to the energy balances, renewable energy production and on-site utilization, related to Integrated Project issues and our business model. Research activities have focused on factors related to coarse solid recovery, drying and use for renewable energy production, as well as fine solids recovery, drying and utilization as fertilizer and/or animal feed. On-going research related to reduction of nutrient releases and gaseous emissions from CAFO waste streams also took place at the DeVries dairy facility and elsewhere.

During the year ended June 30, 2005, we spent \$1,212,531 (including non-cash expenditures) conducting research and development on similar matters as described for the year ending June 30, 2006 above.

### Environmental Protection/Regulation

In regard to development of Projects, we will be subject to extensive environmental regulations related to CAFO's and ethanol production. To the extent that we are a provider of systems and services to others that result in the reduction of pollution, we are not under direct enforcement or regulatory pressure. However, we are involved in CAFO waste treatment and are impacted by environmental regulations in at least four different ways:

16

- \* Our marketing and sales success depends, to a substantial degree, on the pollution clean-up requirements of various governmental agencies, from the Environmental Protection Agency (EPA) at the federal level to state and local agencies;
- \* Our System design and performance criteria must be responsive to the changes in federal, state and local environmental agencies' effluent and emission standards and other requirements;
- \* Our System installations and operations require governmental permit

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

approvals in many jurisdictions; and

- \* To the extent we own or operate Integrated Projects including CAFO facilities and ethanol plants, those facilities will be subject to environmental regulations.

### Employees

As of November 10, 2006, we had 11 employees and consultants, all of whom are full-time except for Jere Northrop, our Senior Technology Director, who works for the Company on a part-time basis. Our future success depends in significant part on the continued service of our key technical and senior management personnel. The competition for highly qualified personnel is intense, and there can be no assurance that we will be able to retain our key managerial and technical employees or that we will be able to attract and retain additional highly qualified technical and managerial personnel in the future. None of our employees is represented by a labor union, and we consider our relations with our employees to be good. None of our employees is covered by "key person" life insurance.

### RISK FACTORS

We are an early stage company.

We have had no System sales since late 2001 when we ceased marketing our first generation animal waste processing systems. Therefore, our Financial Statements show no operating revenue for the relevant periods. Since 2001, the Company has focused its activities on developing, testing and demonstrating the next generation of its technology and developing its business model. Although the Company has developed its integration model, it has not yet implemented its model by development, construction or operation of an Integrated Project. The Company has had no significant sales or revenues while it has been in this technology re-development stage and has accrued substantial losses to date.

Further, potential investors should be aware of the difficulties faced by a new enterprise, especially in view of the intense competition from existing and more established companies in the wastewater, waste management, environmental control, CAFO, alternative energy and soils products industries. During the past several years we curtailed our commercial operations to focus on research and development activities associated with our second-generation System and our potential development of Integrated Projects. Consequently, we have very little relevant history of commercial operations and we have never achieved any significant revenues.

17

Additionally, potential investors should be aware that Bion has never developed an Integrated Project and does not have the financial resources to do so at this date. Further, to the best of our knowledge no one has ever developed and operated an economically and environmentally sustainable CAFO/renewable energy/ethanol Integrated Project with either the size or scope of integration contemplated by the Company.

We have incurred substantial losses and may never achieve profitability

From inception to date, neither Bion nor its subsidiaries have sustained any profitable operations. As set forth in the Financial Statements, during the years ended June 30, 2006 and 2005, respectively, we had net losses of \$5,173,294 and \$2,115,332. Through June 30, 2006 we have an accumulated



deficit of \$70,014,401.

We are in the process of completing development of applications of our new generation of technology and expect to commence development of Projects based on applications of this technology during fiscal 2007. Although we expect to eventually generate revenues from the sale and/or operation of our Systems and/or related Projects, the integration opportunities created by these Systems and the related renewable energy and/or by-products, and pollution reduction credits to pay our future operating expenses, there can be no assurance that profitable operations will ever be achieved or sustained. We are still dependent upon infusions of capital from investors and proceeds from loans to enable us to continue in business. We believe that we will not generate sufficient operating cash flow to meet our needs in the near term without additional external financing. Although we have recently signed an engagement letter with a securities firm to act as our financial advisor and placement agent, there is no assurance that our efforts to obtain such financing will be successful. Any failure on our part to do so will have a material adverse impact on us and may cause us to cease operations. In the event we are unable to achieve sustained profitable operations in the future, it is likely that any investment in our shares or other securities will ultimately be lost.

#### Going Concern Opinion

Our financial statements have been prepared assuming that we will continue in business as a going concern. As discussed above, we have previously suffered significant losses. The report of our independent registered public accounting firm on the Company's financial statements as of and for the year ended June 30, 2006 includes a "going concern" explanatory paragraph which means that the accounting firm expressed substantial doubt about our ability to continue as a going concern. Management's plans with respect to these matters are described in Item 2 and in our financial statements. Our financial statements do not contain any adjustments that might result from this uncertainty.

Our operations will depend on the efforts of our management team and our business will suffer if we lose the services of any key employees.

We are completely dependent upon the efforts and abilities of our team of officers, directors, employees and consultants to manage and operate our

18

business. We do not currently carry any "key man" life insurance coverage on any of our key personnel. Although none of our officers or directors has experience in the management of any profitable entity that has engaged in our area of business, the loss of the services of any of these persons could have a material adverse impact on our business, results of operations and financial condition.

We have numerous agreements with related parties that could create conflicts of interest.

At present we have numerous agreements with related parties. Moreover, we have from time-to-time entered into various employment, consulting and other agreements with related parties pursuant to which we have paid these related parties in cash, stock and/or options. We believe that all of these agreements were negotiated on terms at least as favorable to us as those which could have been obtained from unaffiliated persons; however, our business, results of operations and financial condition could be materially adversely affected by conflicts of interest.

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Our technology has been limited to a few potential markets and may not attract enough customers to be successful.

Our current generation technology platform to date has been re-developed and tested only for dairy applications and has not yet been expanded into other markets such as beef feedlots, hogs or poultry. We have not yet completed the development of all of the System applications that will be necessary to address targeted markets and geographic areas and we anticipate a continuing need for the development of additional applications. Further, there will be extensive design and planning work needed to implement the integration opportunities created by our technology to successfully develop Integrated Projects. During both our current and recent fiscal years, we have continuously made a substantial investment in developing our new generation technology and related integration business model. Although we believe that our existing technology is sufficient to support development of the Projects and additional commercial applications, no assurance can be given that new applications can be developed or that existing or new applications will achieve commercially viable sales levels.

We have not conducted formal market studies with respect to our technology and services. We anticipate that achieving any significant degree of market acceptance for our Systems and products will require substantial marketing efforts and significant expenditures to inform regulators, potential customers, and potential industry partners of the distinctive characteristics and benefits of our products and the Projects. We cannot give any assurances that our targeted customers will accept our proposed products. We also cannot give any assurance that we will ever realize substantial revenues from the sale of our Systems or through development and operation of Projects.

We face intense competition that could adversely affect our financial performance.

Although we believe that our technology offers many significant advantages over other competing technologies and systems as to both

19

environmental clean-up of CAFO waste streams and the integration opportunities it creates, competition in these industry sectors is intense. We are in direct competition with local, regional and national engineering and environmental consulting firms and soils products companies. Some of our competitors may be capable of developing soils products or waste and wastewater treatment systems similar to ours or based on other competitive technologies. Many of our potential competitors are well established and have much greater financial and other resources than we do.

Our Systems could become obsolete and we may not be able to keep up with changes in technology.

Our business is susceptible to changing technology. Although we intend to continue to develop and improve our Systems, there is no assurance that funds for such expenditures will be available or that our competitors will not develop similar or superior capabilities.

Our patent and trade secret protection efforts may not be adequate to protect our technology.

While we have protection from 8 U.S. patents, 2 foreign patents and 2

patents pending, and we intend to develop and file additional patent applications and to obtain other appropriate protection for our technology, including the use of nondisclosure contract provisions and license arrangements which prohibit the disclosure of our proprietary processes, there can be no assurance that we can effectively protect against unauthorized duplication of our patents or the introduction of substantially similar products. Our ability to compete with other companies is materially dependent upon the proprietary nature of our patents and technologies. We cannot give assurances that we will be able to obtain any additional key patents or other protection for our technology. In addition, if any of our key patents or proprietary rights were invalidated, there could be an adverse effect on our business, results of operations and financial condition.

Our business is affected by government regulations that change.

To date, we have been a provider of technology, Systems and services that result in the reduction of pollution and, therefore, we have not been under direct enforcement or regulatory pressure. However, if and when Integrated Projects have been constructed and begin operation, we may be under direct enforcement.

We are involved in waste and wastewater treatment and are impacted by environmental regulations in at least three different ways: (1) our marketing and sales success depends, to a substantial degree, on the pollution clean-up requirements of various governmental agencies, from the Environmental Protection Agency at the federal level to state and local agencies; (2) our System design and performance criteria must be responsive to the changes in federal, state and local environmental agencies' effluent standards and other requirements; and (3) our System installations and operations require governmental permits or approvals in many jurisdictions. In addition, we depend on the varying strictness of enforcement policies of various governmental bodies.

20

We also intend to manufacture and provide soil amendments and fertilizers. Some state and federal regulatory agencies have standards that these products must meet to be sold as soil amendment or fertilizer products in various markets. The production and sales of our fertilizer products will need to meet relevant federal and state requirements. These regulations can change which creates a level of unpredictability.

Additionally, ethanol production in Projects will be subject to numerous regulations.

We are continually reviewing current regulations and potential changes that may affect our business and are making necessary compliance efforts in all jurisdictions in which we do business. We believe that Bion's technology will allow compliance with both current and proposed federal, state and local regulations. We are in the business of helping our customers (including Projects and facilities in which we may become direct participants) solve problems associated with their discharge of their waste streams into the environment, and most of our Systems and services are subject to federal, state and local government regulation, and many are subject to extensive testing procedures. The effects of rulings of regulatory bodies and courts could delay our marketing efforts for a long time and ultimately could prevent the completion of Projects. The regulations pertaining to the environment that may impact our Systems and Projects are continually changing. While we believe that such regulatory changes are favorable to our business since such regulations may require the use of our Systems, there can

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

be no assurance that, in the future, such regulations will not cause us additional economic expense or have a materially adverse effect on our business, results of operations and financial condition.

We are currently involved in significant litigation.

Bion, our President Mark A. Smith and Bion Dairy are defendants in a class action/derivative action lawsuit in Delaware Chancery Court (TCMP#3 Partners, LLP, et al v. Trident Rowan Group, Inc., et al, Civil Action No. 170-N). The claims against the Company primarily relate to the January 2002 transaction with Centerpoint. The Plaintiffs basically allege in multiple claims denoted as fraudulent and negligent misrepresentation, promissory estoppel, and corporate waste, that Bion breached its fiduciary duties to Centerpoint and its shareholders and/or aided and abetted others in breaching their duties and was unjustly enriched as a result of these actions. Further, the plaintiffs allege that Bion, Bion Dairy and Mr. Smith breached their duties to Centerpoint and its shareholders in connection with Centerpoint's investments in Series A\* and Series B\* Notes of Dairy. This litigation is in the early stages of discovery and motion practice. Settlement discussions are under way at the present time and the parties have participated in voluntary, non-binding mediation to attempt to resolve the disputed matters, which mediation has led to a contingent settlement agreement. This agreement is contingent on settlement of the matter described in the paragraph below. If a reasonable settlement is not reached in the matter described below and, if this contingent settlement is not completed, the Company, Bion Dairy and Mr. Smith intend to vigorously defend the claims against them. Management believes that the claims against Bion,

21

Bion Dairy and Mr. Smith are without merit and that such parties will prevail if the litigation eventually proceeds to trial. However, litigation costs (of which a substantial amount has already been expended) can have a material adverse effect on companies the size of Bion and Bion Dairy. Therefore, if a reasonable settlement can be negotiated, Bion and Bion Dairy may enter into such a resolution of the litigation.

Additionally, the Company has drafted (on behalf of itself and Centerpoint and Bion's shareholders) a complaint against the former controlling shareholders and related persons of Centerpoint for damages related to the Company's financial crisis, which were caused by their breaches of their fiduciary duties to Bion, Centerpoint and their shareholders. The potential defendants have executed tolling agreements through November 30, 2006 and the litigation has not yet been commenced while the parties engage in settlement discussions. Extended settlement discussions have taken place related to these matters and agreements in principle have been reached (subject to due diligence inquiries, drafting and execution of definitive agreements, and court approvals). If these settlements are concluded on terms similar to those under discussion, Bion will be making no payments. Rather, Bion and Centerpoint and the Bion shareholder class will be receiving substantial asset transfers and Bion and Centerpoint will receive cash sufficient to offset a large part of the portion their attorneys' fees expended to date (in these two related matters) that have not been reimbursed by insurance carriers. However, there is as yet no assurance that these settlements will successfully be concluded.

On May 6, 2002, Arab Commerce Bank Ltd. ("ACB"), an unaffiliated party, filed a complaint against the Company in the Supreme Court of the State of New York regarding \$100,000 of the Company's convertible bridge notes ("ACB Notes") that were purchased by ACB in March of 2000. The complaint includes

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

a breach of contract claim asserting that the Company owes ACB \$265,400 plus interest or \$121,028 including interest based on ACB's interpretation of the terms of the ACB Notes and subsequent amendments. Effective June 30, 2001, the Company issued ACB 5,034 shares of common stock in full payment of its ACB Note based on the Company's interpretation of the ACB Note, as amended. The Company has filed an answer to the complaint denying the allegations. No activity has taken place in this lawsuit since 2002. The Company believes that the ultimate resolution of this litigation will not have a material adverse effect on the Company, its operations or its financial condition.

We face risks of litigation resulting from improper operation of our systems.

In order for our waste and wastewater treatment Systems to function properly, the Systems must be operated in accordance with our specifications. In the event that our Systems are not operated properly and environmental violations or other problems occur as a result, it is possible that we could be named as a defendant in litigation brought by governmental agencies and/or individuals. Such litigation could seek, among other things, damages, equitable remedies, punitive damages and penalties. In fact, we were named as a defendant, along with the owners of one of our first generation Systems, in such an action filed by the Attorney General of the State of Illinois alleging environmental violations associated with the operation of a hog

22

farm. While we were able to settle that litigation for approximately \$9,000, there can be no assurance that similar litigation will not occur in the future. Litigation of this nature could damage our reputation.

While it is our intention to operate or supervise operation of our second-generation Systems in a manner that precludes such improper operation, there is no assurance that we will be successful in this endeavor.

We do not carry adequate insurance in the event of significant environmental litigation.

We do not have insurance coverage with respect to the risks of litigation discussed above. Presently we carry only nominal amounts of insurance coverage to cover relatively standard business risks. Management believes such coverage to be adequate for our current operations. It is possible, however, that circumstances might potentially exist that could cause us to be held liable for damage to the environment, such as the negligent design of a System resulting in the aggravation of an existing wastewater problem. We could also be subject to liabilities resulting from other business risks in excess of our current policy amounts. Any such liability, if imposed, could be substantial and would, in all likelihood, have an adverse effect on our business, results of operations and financial condition. Additionally we intend to participate as a principal in Integrated Projects and, therefore, may be exposed to damages for which we do not have adequate insurance in those activities.

Resales of our previously restricted securities could hurt the market price of our stock.

Of our 8,625,996 shares of Common Stock currently outstanding, 5,828,378 shares are "restricted securities" which may in the future be sold upon compliance with Rule 144 adopted under the Securities Act of 1933, as amended. Generally, Rule 144 provides that a person holding restricted securities for a period of at least one year may sell every three months, in brokerage transactions, an amount equal to the greater of one percent of our

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

outstanding shares of Common Stock or the average weekly reported volume of trading for the securities provided the Company is current on its periodic reports. There is no limitation on the amount of restricted securities that may be sold by a person who has been the beneficial owner of such restricted securities for more than two years, and has not been an "affiliate" for at least 90 days prior to the date of such sales. Investors should be aware that such sales under Rule 144 may cause the price of our Common Stock to drop in the future.

Conversion of outstanding convertible obligations, exercise of warrants and options and contingent stock bonuses will dilute our current shareholders.

The future conversion to stock of outstanding obligations for convertible debt and deferred compensation, possible future exercise of warrants and options, and outstanding contingent stock bonuses will result in a significant reduction in the respective percentage interests and voting power held by our shareholders, other than those participating in the conversions, exercises and bonuses. As of September 30, 2006 we are indebted

23

to Mark A. Smith, our President, in the amount of \$384,628.67 (represented by a promissory note) for deferred compensation, which amount is convertible into our common stock at the lower of the current market value at the time of conversion or \$2.00 per share. As of September 30, 2006, we are also indebted to Bright Capital, Ltd. ("Brightcap") for services provided to the Company by Dominic Bassani in the amount of \$526,010.70 (represented by a promissory note) with the same conversion feature. In addition, as of September 30, 2006 we have warrants outstanding to purchase 3,684,010 shares of our common stock at prices ranging from \$1.00 to \$6.00. As of October 15, 2006 we have also issued 1,663,333 options to purchase our common stock, of which 956,667 are currently exercisable at prices ranging from \$2.00 to \$7.50. Additionally, contingent stock grants have been made totaling 690,000 shares to employees of and consultants to the Company which vest if and when the Company's stock price exceeds \$10.00 (492,500 shares) and \$20.00 (197,500 shares) per share if the grantee is still providing services to the Company on such dates. Further, we expect to issue additional shares of our Common Stock, warrants and options in connection with engaging further employees or consultants and future financings.

We do not expect to pay dividends.

We have never paid any cash dividends on any class of stock in the past. Due to our present financial status and our contemplated financial requirements, we do not anticipate paying any cash dividends upon any class of stock in the immediately foreseeable future.

The market for our common stock is very limited and may not be maintained.

Our common stock currently trades "over-the-counter" on the "Pink Sheets." Upon our registration under the Exchange Act, we hope that our stock will be traded over the counter on the OTC Bulletin Board. However, there is currently only an extremely limited and thin trading market in our Common Stock, and there is no assurance that it will continue or that any active trading market will develop or be sustained if developed.

The market for our common stock is adversely affected by the "Penny Stock" rules.

Our Common Stock is currently defined as a "penny stock" under the

Exchange Act and rules of the SEC. The Exchange Act and such penny stock rules generally impose additional sales practices and disclosure requirements on broker-dealers who sell our securities to persons other than "accredited investors" or in transactions not recommended by the broker-dealer. For transactions covered by the penny stock rules, the broker-dealer must make a written suitability determination for each purchaser and receive the purchaser's written agreement prior to the sale. In addition, the broker-dealer must make certain required disclosures in penny stock transactions, including the actual sale or purchase price and actual bid and offer quotations, and the compensation to be received by the broker-dealer and certain associated persons, provide monthly account statements showing the market value of each penny stock held in a customer's account, and deliver

24

certain standardized risk disclosures required by the SEC. Consequently, the penny stock rules affect the ability of broker-dealers to make a market in or trade our shares and may also affect the ability of purchasers of shares to resell those shares in the public market.

NASD sales practice requirements adversely affect the market for our common stock.

In addition to the "Penny Stock" rules described above, the NASD has adopted rules that require that, in recommending an investment to a customer, a broker-dealer have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customers' financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, and this has an adverse effect on the market for our shares.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Included in Part F/S are the Consolidated Financial Statements of the Company for the fiscal years ended June 30, 2006 and 2005 ("Financial Statements").

Statements made in this Form 10-SB that are not historical or current facts are "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and section 21E of the Securities Exchange Act of 1934, as amended. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," or "continue" or the negative thereof. Bion intends that such forward looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. Any forward looking statements represent management's best judgment as to what may occur in the future. However, forward looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected.

These factors include adverse economic conditions, entry of new and stronger competitors, inadequate capital, unexpected costs, failure to gain

product approval in the United States or foreign countries and failure to capitalize upon access to new markets. Additional risks and uncertainties that may affect forward looking statements about Bion's business and prospects include the possibility that a competitor will develop a more comprehensive or less expensive environmental solution, delays in market awareness of Bion and our Systems, or possible delays in Bion's development of Projects and failure of marketing strategies, each of which could have an immediate and material adverse effect by placing us behind our competitors. Bion disclaims any obligation subsequently to revise any forward looking

25

statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements filed with this Report.

#### BUSINESS OVERVIEW

The Company is currently focused on completion of the development of its second-generation technology which provides solutions for environmentally sound clean-up of the waste streams of large-scale CAFO's and creates economic opportunities for integration of renewable energy production, ethanol production, sustainable animal husbandry and organic soil/fertilizer and feed production. We believe our technology will also allow development of Projects that can also directly integrate with dairy end-users and that can potentially increase profitability and quality control of each participant while mitigating the environmental impact of the entire integrated complex. The Company is in the process of finalizing engineering, design and economic modeling for applications and Integrated Projects and expects to select the site for and commence development of its initial Integrated Project during its 2007 fiscal year.

The financial statements for the years ended June 30, 2006 and 2005 have been prepared assuming the Company will continue as a going concern. The Company has incurred net losses of approximately \$5,173,000 and \$2,115,000 during the years ended June 30, 2006 and 2005, respectively. At June 30, 2006, the Company has a working capital deficiency and a stockholders' deficit of approximately \$1,000 and \$3,278,000, respectively. The report of the independent registered public accounting firm on the Company's financial statements as of and for the year ended June 30, 2006 includes a 'going concern' explanatory paragraph which means that the accounting firm has expressed substantial doubt about the Company's ability to continue as a going concern. Management's plans with respect to these matters are described in this section and in our financial statements, and this material does not include any adjustments that might result from the outcome of this uncertainty. There is no guarantee that we will be able to raise the funds or raise further capital for the operations planned in the near future.

#### CRITICAL ACCOUNTING POLICIES

Management has identified the following policies below as critical to our business and results of operations. Our reported results are impacted by the application of the following accounting policies, certain of which require management to make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. For all of these policies, management cautions that future events rarely develop exactly as expected, and the best estimates routinely



require adjustment. Specific risks associated with these critical accounting policies are described in the paragraphs below.

26

#### Revenue Recognition

While the Company has not recognized any operating revenues for the past two fiscal years, the Company anticipates that future revenues will be generated from product sales, technology license fees, annual waste treatment fees and direct ownership interests in Integrated Projects. The Company expects to recognize revenue from product sales when there is persuasive evidence that an arrangement exists, when title has passed, the price is fixed or determinable, and collection is reasonably assured. The Company expects that technology license fees will be generated from the licensing of Bion's Systems. The Company anticipates that it will charge its customers a non-refundable up-front technology license fee, which will be recognized over the estimated life of the customer relationship. In addition, any on-going technology license fees will be recognized as earned based upon the performance requirements of the agreement. Annual waste treatment fees will be recognized upon receipt. Revenues, if any, from the Company's interest in Projects will be recognized when the entity in which the Project has been developed recognizes such revenue.

#### Compensation Cost for Options with Service Conditions and Graded Vesting Schedules

The Company has issued non-employee options that include service conditions and have graded vesting schedules. Generally for these arrangements, the measurement date of the services occurs when the options vest. In accordance with Emerging Issues Task Force Issue No. 96-18, recognition of compensation cost for reporting periods prior to the measurement date is based on the then current fair value of the options. Any subsequent changes in fair value will be recorded on the measurement date. Compensation cost in connection with options that are not fully vested is being recognized on a straight-line basis over the requisite service period for the entire award.

#### Stock-based compensation

SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"), establishes financial accounting and reporting standards for stock-based employee compensation plans. SFAS No. 123 encourages entities to adopt a fair-value-based method of accounting for stock compensation plans. However, SFAS No. 123 also permits entities to continue to measure compensation cost under Accounting Principles Board Opinion No. 25 ("APB 25") with the requirement that pro forma disclosures of net income (loss) and earnings (loss) per share be included in the notes to the financial statements. The Company has elected to measure compensation cost under APB 25; accordingly, the Company uses the intrinsic value method to account for its stock-based employee compensation plans.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R) Share Based Payment, which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for share-based compensation transactions using APB 25, and generally

27

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

requires instead that such transactions be accounted and recognized in the statement of income based on their fair values. SFAS No. 123(R) will be effective for the Company beginning on July 1, 2006. Depending upon the number and terms of options that may be granted in future periods, management believes that the implementation of this standard could have a material impact on the Company's financial statements.

YEAR ENDED JUNE 30, 2006 COMPARED TO YEAR ENDED JUNE 30, 2005

### General and Administrative

General and administrative expenses increased by \$702,466 or 110% for the year ended June 30, 2006 compared to the prior year. The increase in general and administrative expenses is primarily due to an increase of non-cash compensation charges of approximately \$834,000 to record the intrinsic value of the President's convertible deferred compensation as of June 30, 2006, and financial accounting and audit costs of \$67,000 associated with the preparation of the December 31, 2005 balance sheet audit and the June 30, 2006 audit, which were not performed during the fiscal year ended June 30, 2005. The increases in general and administrative expenses were partially offset by lower legal fees during the fiscal year ended June 30, 2006 of approximately \$218,000 due to decreased litigation expense and partial reimbursement of prior legal expenses.

### Research and Development

Research and development expenses increased by \$2,597,185 or 214% for the year ended June 30, 2006 compared to the prior year. The increase in research and development expenses was primarily due to increased consulting expenses and salaries and related payroll taxes. Consulting expenses increased due to the addition of several key consultants in order to further the development of the Company's second generation technology and integration applications. Also during the year ended June 30, 2006, \$790,000 in non-cash charges were recorded to recognize consulting expense related to the issuance and vesting of the Company's stock options to non-employees and \$1,140,000 of non-cash charges were recorded to recognize the intrinsic value of Brightcap's convertible deferred compensation as of June 30, 2006 compared to \$21,000 and \$0, respectively, in fiscal 2005. Salaries and related payroll taxes increased during the year ended June 30, 2006 due to pay raises and a discretionary payment of bonuses to compensate certain employees for pay reductions in prior years.

### Loss from Operations

As a result of the factors described above, the loss from operations for the year ended June 30, 2006 increased by \$3,299,651 from the prior year of which \$2,756,000 represented the increase in non-cash expenses.

### Other Expense

Other expense decreased by \$241,689 for the year ended June 30, 2006 compared to the prior year. The decrease in other expenses is primarily due to the decrease in interest expense of \$155,408 and an increase in other income of \$65,298. Interest expense decreased during the year ended June 30,

2006 due to the conversion of the interest bearing Bion Dairy notes and interest bearing notes held by the Company's president into the Company's

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

common stock during September and December 2005, respectively. Other income increased during the year ended June 30, 2006 due to the settlement of creditor liabilities during the year.

### Net Loss

As a result of the factors described above, the net loss increased by \$3,057,962 for the year ended June 30, 2006 (an increased net loss of \$0.20 per common share) compared to the prior year of which \$2,756,000 represents the increase in non-cash items.

### LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2006, the Company had cash and cash equivalents equal to \$1,152,199. During the year ended June 30, 2006, net cash used in operating activities was \$2,040,708, primarily consisting of cash operating expenses. As previously noted, the Company is currently not generating revenue and accordingly has not generated cash flows from operations. The Company does not anticipate generating sufficient revenues to offset operating and capital costs for a minimum of two to five years. While there are no assurances that the Company will be successful in its efforts to develop and construct its Projects and market its Systems, it is certain that the Company will require significant funding from external sources.

### Investing Activities

During the year ended June 30, 2006 the Company used \$9,166 of cash for investing activities to purchase property and equipment.

### Financing Activities

During the year ended June 30, 2006, \$3,194,821 of cash was provided by financing activities primarily resulting from \$1,870,821 received from the sale of convertible debt and \$1,136,500 received from the sale of common stock.

As of June 30, 2006 the Company has significant debt obligations consisting primarily of mandatorily convertible notes - affiliates (\$2,871,698) and deferred compensation, of which \$581,344 is mandatorily convertible.

### Convertible Notes

Under the terms of a convertible deferred compensation agreement with our President that was exchanged for a promissory note and conversion agreement on April 4, 2006, sums accrued through March 31, 2006 accrue interest at 6% per annum and are convertible into the Company's common stock at the lower of the current market value at the time of conversion, or \$2.00 per share. Through July 1, 2007, conversions may occur by mutual agreement between the Company and the President. The Company may convert the promissory note, in whole or part, at any date after July 1, 2007 and the convertible note owned by the President is mandatorily converted to common

stock of the Company on July 1, 2009. The Company is accounting for this employee stock-based agreement under APB 25. At June 30, 2006, the note balance (principal and accrued interest) due to the President was \$378,981, and the market price of the Company's common stock was \$6.40 per share. Therefore the Company has recorded the intrinsic value of the deferred

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

compensation agreement at \$1,212,739 as of June 30, 2006. The President earns compensation of \$150,000 annually, all of which has been deferred from April 1, 2006 (\$37,500 as of June 30, 2006) on a non-convertible and non-interest bearing basis. All these sums related to Mr. Smith's deferred compensation are net of \$55,000 and \$60,000 of deferred compensation that was converted to 50,000 and 30,000 shares of the Company's restricted common stock on December 31, 2004 and 2005, respectively.

On December 31, 2005, convertible deferred compensation payable to Brightcap for services provided to the Company by the former general manager of Bion Dairy between April 1, 2003 and September 30, 2005 was exchanged for a promissory note which note bears interest at 6% per annum and conversion agreement pursuant to which all sums accrued through September 30, 2005 are convertible into the Company's common stock at the lower of the current market value at the time of conversion or \$2.00 per share. Through January 1, 2007 conversion may occur by mutual agreement between the Company and Brightcap. The Company may convert the promissory note, in whole or in part, at any date after January 1, 2007 and, on July 1, 2009, the promissory note is mandatorily convertible to common stock of the Company. At June 30, 2006, the note balance (principal and accrued interest) due Brightcap was \$518,425 and the market price of the company's common stock was \$6.40 per share. Therefore the Company has recorded the intrinsic value of the deferred compensation agreement at \$1,658,959. Brightcap receives annual compensation of \$300,000 for the full time consulting services of Dominic Bassani with payment deferred. Sums accrued after October 1, 2005 total \$225,000 as of June 30, 2006, and accrue on a non-convertible and non-interest bearing basis.

### Deferred Compensation

Prior to March 31, 2003, the Company incurred management fees under various management agreements for management and consulting services. The fees totaled \$581,344 including interest at 6%, as of June 30, 2006. It was agreed in March 2003 that payment would be made on March 31, 2007 by conversion of the deferred compensation into common stock of the Company at the higher of the average price of the Company's common stock during the ten trading days ending March 27, 2007 or \$4.00 per share.

The Company has aggregate deferred compensation liabilities of \$412,500 and \$600,000 for three of its officers/directors/consultants as of June 30, 2006 and September 30, 2006, respectively. This deferred compensation does not accrue interest and is not convertible. Payment is to be made at the earliest date that the Company has in excess of \$2,000,000 in cash and cash equivalents or as decided by the Board of Directors or by December 31, 2007.

### Outlook

As of June 30, 2006 the Company had cash and cash equivalents of \$1,152,199. In addition, subsequent to yearend and through the date of this

report, the Company received \$545,000 in proceeds from the sale of its 2006 Series A Convertible Promissory Notes that closed on September 13, 2006. Based on our operating plan, management believes that existing cash on hand will be sufficient to fund the Company's basic overhead through the end of the 2007 fiscal year. However, the Company will need to raise additional capital to execute our business plan, which includes further technology development work and commencing the development and construction of an initial Integrated Project

The Company currently intends to seek financing of between \$5,000,000 and \$50,000,000 during fiscal year 2007 in the form of equity and/or debt. The proceeds would be used to expand and accelerate the development activities of Bion's initial Integrated Projects and for general corporate purposes. If we do not receive sufficient funding on a timely basis, it could have a material adverse effect on our liquidity, financial condition and business prospects. Additionally, in the event that we receive funding, it may be on terms that are not favorable to the Company and its shareholders. On November 9, 2006, we signed an engagement letter with R.W. Pressprich & Co., Inc., a New York City based investment banking firm, to act as our placement agent, financial advisor and arranger for equity and Project financings, although no specific financing has yet been arranged. There is no assurance that the Company will successfully complete any financings.

#### CONTRACTUAL OBLIGATIONS

We have the following material contractual obligations (in addition to employment and consulting agreements with management and employees):

1) The Company executed a non-cancelable operating lease for office space in New York City effective August 1, 2006 and extending to November 30, 2013. The average monthly rent under the lease is \$15,820. The Company has provided the lessor with a letter of credit in the amount of \$171,945 in connection with the lease. The Company's obligations under the lease are partially guaranteed by Salvatore Zizza, Chairman of Bion Dairy. The Company has entered into sub-leases with non-affiliated parties for approximately 28% of the obligations under the lease.

2) In June 2006, the Company entered into an agreement with Fair Oaks Dairy Farm ("FODF") to construct a Bion research/validation facility ("Stage I System") at FODF. The Stage I System will initially be used for testing necessary for: a) finalization of design criteria for permitting and construction of, and b) optimization of renewable energy production and utilization for, full scale Integrated Projects. We are currently in negotiations toward an amended agreement with FODF pursuant to which: a) the Company will construct a commercial scale Bion validation/optimization System designed to handle the waste stream from approximately 6200 milking cows ("Initial System") at existing FODF facilities in Indiana which will incorporate and expand the scope of the Stage I System; and b) when the Initial System has completed start-up phase and demonstrated environmental results consistent with the DeVries results set forth above, the Initial System will become the basis of expansion into an Integrated Project at FODF through development stages including dairy expansion, construction of additional Bion System modules including renewable energy production and

solids processing facilities and construction of an ethanol plant. It is anticipated that the amended agreement will be executed during November 2006. Preliminary engineering, design and site work at FODF has begun pursuant to the existing agreement and we anticipate commencement of construction during the next three (3) months. We anticipate completion of development of this Integrated Project during 2008. The estimated cost of Stage I under the June 2006 agreement, including Stage I System construction and testing operations, is \$750,000, which Bion and FODF have agreed to split equally net of any grants. However, as indicated above, we believe that an amended agreement will supersede the June 2006 agreement which new agreement will require larger expenditures.

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

### OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

### RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R) Share Based Payment, which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for share-based compensation transactions using APB No. 25, and generally requires instead that such transactions be accounted and recognized in the statement of income based upon their fair values. SFAS No. 123(R) will be effective for the Company beginning on July 1, 2006. Depending upon the number and terms of options that may be granted in future periods, management believes that the implementation of this standard could have a material impact on the Company's financial statements.

### ITEM 3. DESCRIPTION OF PROPERTY.

The Company maintains its offices at 641 Lexington Avenue, 17th Floor, New York, New York 10022, telephone number (212) 758-6622. These offices are leased pursuant to a non-cancellable operating lease that became effective on August 1, 2006 and expires on November 30, 2013. The average monthly rental under the terms of the lease is \$15,820. The Company has entered into sub-leases with non-affiliated parties for approximately thirty per cent (30%) of its obligations under this lease.

The Company holds eight United States patents, one Canada patent and one New Zealand patent as described above. Two patent applications have been filed and are pending.

### ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

At November 13, 2006, the Company had issued and outstanding 8,625,996 shares of its common stock.

The following table sets forth certain information regarding the beneficial ownership of our common stock as of November 13, 2006 by:

32

- \* each person that is known by us to beneficially own more than 5% of our common stock;
- \* each of our directors;
- \* each of our executive officers and significant employees; and
- \* all our executive officers, directors and significant employees as a group.

Under the rules of the Securities and Exchange Commission, beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable under stock options that are exercisable within sixty (60) days of November 13, 2006. Those shares issuable under stock options are deemed outstanding for computing the percentage of each person holding options but are not deemed outstanding for computing the percentage of any other person. The percentage of beneficial ownership schedule is based upon 8,625,996 shares outstanding as of November 13, 2006. The address

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

for those individuals for which an address is not otherwise provided is c/o Bion Environmental Technologies, 641 Lexington Avenue, 17th Floor, New York, New York 10022. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting power and investment power with respect to all shares of common stock listed as owned by them.

Name and Address -----	Shares of Common Stock Beneficially Owned		
-----	Number -----	Percent of Class Outstanding -----	Entitled to Vote -----
Centerpoint Corporation (1) 641 Lexington Avenue, 17th Floor New York, NY 10022	693,799	8.0%	-
Dominic Bassani/Chris-Dan, LLC (2) 64 Village Hills Drive Dix Hills, NY 11746	2,634,841	26.1%	28.1%
Anthony Orphanos (3) c/o Austin Investments Management 520 Madison Avenue, 28th Floor New York, NY 10022	1,277,281	13.9%	15.0%
Donald Codignotto (4) 4 Keenan Drive Garden City, NY 11530	811,409	8.6%	9.3%
The Danielle Christine Bassani Trust (5) Anthony Orphanos and Donald Codignotto, Trustees 4 Keenan Drive Garden City, NY 11530	566,000	6.2%	6.7%
Mark A. Smith (6)	965,306	10.7%	11.6%
33			
Jere Northrop (7)	256,248	2.9%	3.2%
Jon Northrop (8)	198,710	2.3%	2.5%
Salvatore Zizza (9)	649,412	7.0%	7.6%
Jeremy Rowland (10)	150,000	1.7%	1.9%
James Morris (11)	200,000	2.3%	2.5%
George Bloom (12)	202,112	2.3%	2.5%
David Mager (13)	194,209	2.2%	2.4%

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Jeff Kapell (14)	100,000	1.1%	1.2%
Richard Berman (15)	72,428	*	*
Bart Chilton (16)	28,000	*	*
Charles Millard (17)	30,000	*	*
All executive officers, directors and significant employees as a group ( 13 persons)			
	5,681,266	47.2%	50.1%

---

\* Less than 1%

(1) Centerpoint Corporation is currently majority owned by the Company. Under Colorado law, Centerpoint Corporation is not entitled to vote these shares unless otherwise ordered by a court. These shares of common stock may be distributed to the shareholders of Centerpoint Corporation at a future date pursuant to a dividend declared during July 2004. The shares distributed to Bion, if any, will be cancelled immediately upon receipt.

(2) Includes 64,612 shares and 600,000 shares underlying warrants held directly by Mr. Bassani; 3,981 shares and 500,000 shares underlying warrants held by Brightcap Capital, Ltd. ("Brightcap") of which Mr. Bassani is the owner; 1,055,692 shares held by Chris-Dan, LLC of which Mr. Bassani is owner; 30,432 shares and 25,000 shares underlying warrants held by Mr. Bassani's wife; 26,367 shares which represents 50% of the shares held by D2 Trust, of which he is 50% beneficial owner; 65,752 shares which represents 50% of the shares into which deferred compensation held by D2 Trust may be converted based on the minimum conversion price of \$4.00; and 263,005 shares that Brightcap may receive pursuant to conversion of an outstanding note of the Company calculated at October 15, 2006 at the \$2.00 maximum conversion price.. Mr. Bassani has also been granted 250,000 shares of contingent stock bonuses that are not included in this calculation. Mr. Bassani disclaims ownership of 566,000 shares underlying warrants held by The Danielle Christine Bassani Trust, which is separately itemized herein. Mr. Bassani's adult daughter, who lives with him, is the beneficiary of the Danielle Christine Bassani Trust. Mr. Bassani further disclaims beneficial ownership

34

of shares and warrants owned by various family members, none of whom live with him or are his dependents, and such shares are not included in this calculation.

(3) Includes 395,152 shares and 10,000 shares underlying options held directly by Mr. Orphanos; 130,263 shares held jointly with his wife; and 175,866 shares held in an IRA. Also includes 566,000 shares underlying warrants held by the Danielle Christine Bassani Trust, of which Mr. Orphanos is a co-trustee.

(4) Includes 11,409 shares held directly by Mr. Codignotto; 566,000 shares underlying warrants held by The Danielle Christine Bassani Trust of which Mr. Codignotto serves as co-Trustee (see note 5); and 234,000 shares underlying warrants held by The Christopher Parlow Trust of which Mr. Codignotto serves



## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

as co-Trustee.

(5) Represents shares underlying warrants held by the The Danielle Christine Bassani Trust, Anthony Orphanos and Donald Codignotto, trustees.

(6) Includes 359,582 shares held directly by Mark A. Smith; 105,000 shares underlying options and 75,000 shares underlying warrants held directly by Mr. Smith; 20,334 shares held jointly with his wife; 56,145 shares held by his wife; and 156,931 shares of common stock held by LoTayLingKyur Foundation which is controlled by Mr. Smith. Also includes 192,314 shares that Mr. Smith may receive pursuant to conversion of an outstanding note of the Company calculated at September 30, 2006 at the \$2.00 maximum conversion price. Does not include shares and warrants owned by various family members of which Mr. Smith disclaims beneficial ownership. Mr. Smith is also the President of Centerpoint, although shares owned by Centerpoint are not entitled to a vote while held by Centerpoint.

(7) Includes 67,401 shares held by Jere Northrop's wife; 3,549 shares held by a family trust; 62,598 shares and 122,500 shares underlying options held by Jere Northrop; and 200 shares owned jointly by Jere Northrop and his wife. Does not include 12,608 shares owned by the Jere and Lynn Northrop Family Foundation, 7,906 shares owned by the Jere Northrop Family trust and 805 shares owned by the Harley Northrop Charitable Trust, for each of which Mr. Northrop disclaims beneficial ownership. Jere Northrop has also been granted 22,500 shares of contingent stock bonus that are not included in this calculation.

(8) Includes 108,466 shares held directly by Jon Northrop; 16,464 shares owned by Jon Northrop's wife; 4,100 shares owned jointly by Jon Northrop and his wife; options to purchase 50,000 shares held by Jon Northrop; and 19,680 shares owned by a family trust. Does not include shares owned by the adult children of Jon Northrop or 2,007 shares owned by the Harley Northrop Family Foundation.

(9) Includes 41,912 shares held by Mr. Zizza; 7,500 shares underlying options and 600,000 shares underlying warrants held by him. Mr. Zizza has also been granted 150,000 shares of contingent stock bonus that are not included in this calculation.

35

(10) Mr. Rowland holds warrants to purchase 150,000 shares.

(11) Mr. Morris holds options to purchase 200,000 shares. Mr. Morris has also been granted 75,000 shares of contingent stock bonus that are not included in this calculation.

(12) Mr. Bloom holds 2,112 shares and options to purchase 200,000 shares. Mr. Bloom has also been granted 75,000 shares of contingent stock bonus that are not included in this calculation.

(13) Mr. Mager holds 40,876 shares and warrants to purchase 153,333 shares. Mr. Mager has also been granted 37,500 shares of contingent stock bonus that are not included in this calculation.

(14) Mr. Kapell holds warrants to purchase 100,000 shares. Mr. Kapell has also been granted 37,500 shares of contingent stock bonus that are not included in this calculation.

(15) Mr. Berman holds 3,928 shares and options to purchase 35,000 shares.

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Also includes 33,500 shares into which a \$200,000 (initial principal amount) 2006 Series A Convertible Note held by Mr. Berman s (including accrued interest) were convertible as of October 15, 2006.

(16) Mr. Chilton holds options to purchase 28,000 shares.

(17) Mr. Millard holds options to purchase 30,000 shares.

### ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS.

Our directors, executive officers and significant employees/consultants, along with their respective ages and positions are as follows:

Name	Age	Position
----	---	-----
Director and Officers:		
Mark A. Smith	56	President, General Counsel, Interim Chief Financial Officer and Director
Jere Northrop	64	Senior Technology Director and Director
Jon Northrop	63	Secretary and Director
Salvatore J. Zizza	60	Chairman and Director of Bion Dairy
George W. Bloom	51	Chief Operating Officer of Bion Technologies
Jeremy Rowland	43	Chief Operating Officer of Bion Dairy

36

### Significant Employees:

James W. Morris	56	Chief Technology Officer of Bion Technologies
Jeff Kapell	60	V.P. for Renewables of Bion Dairy
David Mager	53	V.P. for Public Policy of Bion Dairy
Dominic Bassani	61	Full Time Consultant to Bion and Bion Dairy

Mark A. Smith (56) has been President, General Counsel, interim Chief Financial Officer and a director of Bion Environmental Technologies, Inc. since late March 2003. Since that time, he has also served as sole director, President and General Counsel of Bion's wholly-owned subsidiaries including Bion Dairy Corporation. Since mid-February 2003, Mr. Smith has served as sole director and President and General Counsel of Bion's majority-owned subsidiary, Centerpoint Corporation. Previously, from May 21, 1999 through January 31, 2002, Mr. Smith served as a director of Bion. From July 23, 1999, when he became President of Bion, until mid-2001 when he ceased to be Chairman, Mr. Smith served in senior positions with Bion on a consulting basis. Additionally, Mr. Smith was the president of RSTS Corporation prior

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

to its acquisition of Bion Technologies, Inc. in 1992. Mr. Smith received a Juris Doctor Degree from the University of Colorado School of Law, Boulder, Colorado (1980) and a BS from Amherst College, Amherst, Massachusetts (1971). Mr. Smith has engaged in the private practice of law in Colorado since 1980. In addition, Mr. Smith has been active in running private family companies, Stonehenge Corporation (until 1994) and LoTayLingKyur, Inc. (1994-2002). Until returning to Bion during March 2003, Mr. Smith had been in retirement with focus on charitable work and spiritual retreat.

Jere Northrop (64) is the founder of Bion and developed its technology. He currently serves as the Company's Senior Technology Director and has been a Board of Directors member since April 9, 1992. Dr. Northrop is a founder of Bion Technologies, Inc. and was its President from October 1989 to July 23, 1999. Prior to founding Bion, he had ten years experience in the management of operations and process control at a large municipal advanced wastewater treatment plant in Amherst, New York (1979-1989). He also has twenty-five years of experimental research on both individual and complex systems of microorganisms. Dr. Northrop has a BS degree in biology from Amherst College, Amherst, Massachusetts (1964), a PhD in biophysics from Syracuse University, Syracuse, New York, (1969), and has done post doctoral work at the University of California at Davis, Davis, California and The Center for Theoretical Biology, State University of New York at Buffalo, Buffalo, New York.

Jon Northrop (63) has served as our Secretary and a Director since March of 2003. Since September 2001 he has been self employed as a consultant with a practice focused on business buyer advocacy. Mr. Northrop is one of our founders and served as our Chief Executive Officer and a Director from our inception in September 1989 until August 2001. Before founding Bion Technologies, Inc., he served in a wide variety of managerial and executive

37

positions. He was most recently the Executive Director of Davis, Graham & Stubbs, one of Denver's largest law firms, from 1981 to 1989. Prior to his law firm experience, Mr. Northrop worked at Samsonite Corporation's Luggage Division in Denver, Colorado, for over 12 years. His experience was in all aspects of manufacturing, systems design and implementation, and planning and finance, ending with three years as the Division's Vice President, Finance. Mr. Northrop has a bachelor's degree in Physics from Amherst College, Amherst, Massachusetts (1965), an MBA in Finance from the University of Chicago, Chicago, Illinois (1969), and spent several years conducting post graduate research in low energy particle physics at Case Institute of Technology, Cleveland, Ohio. Jon Northrop is the brother of Jere Northrop.

Salvatore J. Zizza (60) recently rejoined Bion and Dairy during 2005 on a consulting basis and assumed the positions of Chairman and Director of Bion Dairy Corporation on January 1, 2006. Mr. Zizza served as a Director of Bion from December 1999 through February 2003. Mr. Zizza has agreed to join Bion's Board of Directors and serve as Bion's Chairman once Bion has commenced Exchange Act reporting with Securities and Exchange Commission and has secured adequate director and officer liability insurance coverage. He served as Chairman of the Board, President and Treasurer from 1992 through 1997 of Hollis Eden Pharmaceuticals (HEPH) (f/k/a IAC) and has served as a Director since 1998. Mr. Zizza served as Chairman of the Board of Directors of The Lehigh Group, Inc. (f/k/a The LVI Group Inc.) ("LHG") beginning in 1991, and was President and Chief Financial Officer of The Lehigh Group, Inc. from 1985 to 1991. LHG, a New York Stock Exchange listed company, was engaged, through its subsidiary, in the distribution of electrical products, and from 1985 until 1991 was one of the largest interior construction and

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

asbestos abatement firms in the United States. Mr. Zizza was Chief Operating and Chief Financial Officer of NICO, Inc., an interior construction firm, from 1978 until its acquisition in 1985 by LHG. Mr. Zizza is a director of The Gabelli Equity Trust, The Gabelli Asset Fund, The Gabelli Growth Fund and The Gabelli Convertible Securities Fund and other funds in the Gabelli Fund family. Mr. Zizza is presently Chairman of Hallmark Electrical Supplies Corp, a distributor of electrical products, Bethlehem Advanced Metals which designs and manufactures high-temperature furnaces for sale and for its own use in the processing of specialty carbon, graphite and ceramic materials for semiconductor and aerospace applications, and Chairman of Metropolitan Paper Recycling, the largest independent recycler in New York.

George W. Bloom (51) has been with Bion Technologies, Inc. since December 2000 and has served as Chief Operating Officer since January 15, 2002. From 1986 through December 2000, Mr. Bloom was employed by Woodard & Curran, Inc., an environmental engineering and science-consulting firm, where he held the position of Chief Engineer of the Municipal Business Center at the time of his departure. Mr. Bloom is a registered professional engineer with over twenty years environmental engineering and consulting experience specializing in the planning, design, construction and operation of waste treatment facilities. Mr. Bloom is responsible at Bion for oversight of the planning, design and construction of waste treatment systems and solids processing facilities. He has his BS in Environmental Science from Cornell University.

Jeremy Rowland (43) joined Bion Dairy on September 18, 2006 as its Chief Operating Officer. Mr. Rowland has agreed to serve as Chief Operating

38

Officer of Bion once Bion has commenced reporting with the Securities & Exchange Commission and has secured adequate director and officer liability insurance coverage. Prior to joining Bion, he worked for URS Corporation, a major national engineering/consulting firm, for 16 years where he developed and lead URS's efforts in the renewable energy marketplace. Mr. Rowland has eighteen years experience in multi-disciplinary energy and environmental project development and management throughout the U.S. and overseas. Mr. Rowland's areas of expertise include renewable energy project development, distributed generation (mostly combined heat/power), large-scale power plant developments, and strategic energy management. Mr. Rowland earned his MS in Environmental Science in 1987 and his BS in Forest Ecology in 1985 from Southern Illinois University, School of Agriculture Science.

James W. Morris (56) has served as Chief Technology Officer of Bion Technologies, Inc. since February 2002 and is co-inventor of portions of the Bion process. Prior to joining Bion, Dr. Morris provided the Company with technical assistance and technical advice for over two years as a consultant. Other consulting work included eight years acting as the Senior Technical Consultant for a large environmental consulting firm and the formation of James W. Morris & Associates, Inc. that allowed him to serve clients ranging from small commercial establishments, to municipalities and corporations, as well as a sub consultant to several larger engineering firms. Dr. Morris is a licensed professional engineer in Maine and Vermont with more than 30 years of engineering experience. Over a twelve-year period he performed research and taught graduate and undergraduate engineering as a member of the faculties of Cornell University, the University of Manitoba and the University of Vermont. He earned his BSCE and MSCE at Tennessee Technological University and a Ph.D. in Environmental Quality/Agricultural Engineering from Cornell University. He is a member of the American Society of Civil Engineers, Water Environment Federation, Institute of Food

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Technologists, American Society of Agricultural Engineers, Agricultural Engineering Society, Aquacultural Engineering Society and American Water Works Association, Tau Beta Phi (Engineering honor society), Chi Epsilon (Civil Engineering honor society) and is a member of Sigma Xi, The Scientific Research Society of North America.

Jeff Kapell (60) became a consultant to Bion and Bion Dairy in December 2003 and joined the Bion management team on a full-time basis during April 2006 as Bion Dairy 's Vice-President --Renewables. Previously, Mr. Kapell was Associate Principal at SJH & Company, a strategic management-consulting group serving the global agri-food industry. Mr. Kapell served SJH & Company from 2000 to 2005. While at SJH, he led the firm's development of a practice area in "renewables" and has become recognized throughout the industry as a sector expert at the intersection of agriculture and renewable energy. Commencing in mid-2005, Mr. Kapell provided consulting services to Bion and Bion Dairy as Principal of Kapell Consulting. Mr. Kapell has also been a cranberry grower for the past twenty-five years and has served on the Board of Ocean Spray Cranberries, Inc., as president of The Cape Cod Cranberry Growers Association, and is currently Vice-Chairman of the Board of the Cranberry Institute. Mr. Kapell is an engineer by training, having performed systems analysis for several firms prior to launching his farming and consulting ventures. Mr. Kapell is a graduate of Lehigh University.

39

David Mager (53) became a consultant on a full time basis to Bion and Bion in June 2003 and serves as Bion Dairy's Vice President for Public Policy. He is a scientist, inventor and consultant whose specialty is helping companies serve a 'dual bottom line' of being profitable while being environmentally and socially responsible. For over 20 years Mr. Mager has provided environmental consulting to public companies such as Amoco, General Electric, General Motors, Coca Cola, IBM and Unilever, and private companies such as Aveda, Tommy Boy Records, Rhino Records, Eileen Fisher, Stonyfield Farm Yogurt, Kozy Shack, Gaiam and ABC Home. He has focused on helping his clients continuously improve their environmental footprints. He is currently a principal of Meadowbrook Lane Capital, LLC, a private consulting firm through which he provides his services to Bion and Bion Dairy. Mr. Mager has a BS in biology from the State University of New York at Stony Brook (1975).

Dominic Bassani (60) served as the General Manager of Bion Dairy from April 2003 through September 2006. He now serves Bion (and its subsidiaries) as a consultant (through Bright Capital, Ltd. ("Brightcap")) on a full-time basis with focus on strategic planning and special projects. He has been an investor in and consultant to Bion since December 1999. He is an independent investor and since 1990 has owned and operated Brightcap, a management consulting company that provides management services to early stage technology companies. He was a founding investor in 1993 in Initial Acquisition Corp. that subsequently merged in 1995 with Hollis Eden Corp. (HEPH), a biotech company specializing in immune response drugs. From early 1998 until June 1999 he was a consultant to Internet Commerce Corp. (ICCA), a leader in business-to-business transactions using the Internet. He is presently an investor in numerous private and public companies primarily in technology related businesses. From 1980 till 1986, Mr. Bassani focused primarily on providing management reorganization services to manufacturing companies and in particular to generic pharmaceutical manufacturers and their financial sponsors.

In addition, the following persons became directors of Bion Dairy effective October 15, 2006 and have agreed to become directors of Bion upon

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

effectiveness of this Form 10-SB registration statement and the Company's acquisition of director and officer liability insurance:

Richard Berman (64) has a business career that spans over 35 years of venture capital, management and merger & acquisitions experience. Since 1982, Richard Berman has mainly been active as an investor, advisor, manager, director, and financier to over 100 public and private companies, with emphasis on biotech, internet, and other technology sectors. In the last five years, Mr. Berman has served as a director and/or officer of approximately a dozen public and private companies. He is currently CEO of Nexmed, a small public biotech company; Chairman of National Investment Managers, a public company in pension administration and investment management; and Chairman of Candidate Resources, a private company delivering human resources services over the web, and Chairman of Fortress Technology Systems (homeland security). Mr. Berman is a director of seven public companies: Dyadic International, Inc., Broadcaster, Inc., Internet Commerce Corporation, MediaBay, Inc., NexMed, Inc., National Investment Managers, and Advaxis, Inc. From 1998-2000, Mr. Berman was employed by Internet Commerce Corporation as Chairman and CEO. From 1975-1982 Mr. Berman served Banker

40

Trust Company, New York with a final position of Senior Vice President where he was Head of Mergers & Acquisitions and Leverage Buyout Departments. Mr. Berman is active in real estate and venture capital investing. He is a past Director of the Stern School of Business of NYU where he obtained his BS (1964) and MBA (1973). He also has US and foreign law degrees from Boston College (1969) and The Hague Academy of International Law, respectively.

Bart Chilton (46) has held the position of Chief of Staff, Vice President for Strategic Development & Government Relations, National Farmers Union since June 2006. From February 2005 - May 2006 he has served as Executive Assistant to the Farm Credit Administration Board. From 2001 - 2005, Mr. Chilton served as Senior Advisor to Senator Daschle, the Majority and Minority Leader, United States Senate. From 1998-2000 he served as Deputy Chief of Staff to the U.S. Secretary of Agriculture and from 1995-1998 he served as Senior Policy Director for Rural Development to the U.S. Secretary of Agriculture. From 1985-1995, Mr. Chilton served as Legislative Director for four different members of the U.S. House of Representative's. Mr. Chilton attended Purdue University from 1978-1983.

Charles Millard (49) has served as President and Managing Director of BP Direct Securities, affiliate of Broadway Real Estate Partners since July 2004. From May 2001 through June 2004 he served at Lehman Brothers as Managing Director/Head of Wealth Management Services and from May 1999 - April 2000 he worked at Prudential Securities, Inc., as Group Head/Managing Director, NY Internet Group. From December 1995 to May 1999, Mr. Millard served as President of the New York City Economic Development Corporation and Chairman of the New York City Industrial Development Agency. From 1991 to 1995, Mr. Millard served as Councilman, Upper East Side, Manhattan, New York City Council and from 1986 to 1991, he worked as an attorney at the law firm of Davis, Polk & Wardell, NYC. Mr. Millard received a J.D. from Columbia University School of Law (1985) and a B.A. from Holy Cross College (1979).

### Family Relationships

There are currently no family relationships among our Directors and Executive Officers except that Jon Northrop and Jere Northrop are brothers.

Compliance with Section 16(a) of the Exchange Act

## Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Section 16(a) of the Exchange Act requires our officers and directors, and stockholders owning more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Upon effectiveness of our Form 10-SB, executive officers, directors and such stockholders will be required by SEC regulations to furnish us with copies of all forms they file pursuant to these requirements.

### Involvement in Legal Proceedings

To the best of our knowledge, during the past five years, none of the following occurred with respect to our directors or executive officers:

41

(1) any bankruptcy petition filed by or against any business of which one of them was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses).

(3) being subject to any order, judgment or decree of any court of competent jurisdiction, permanently or temporarily inquiring, barring, suspending or otherwise limiting involvement in any type of business, securities or otherwise limiting involvement in any type of business, securities or banking activities, and

(4) being found by a court of competent jurisdiction, the SEC or the CFTC to have violated Federal or state securities or commodities laws.

### Audit Committee

The Company has no audit committee and is not now required to have one, or an audit committee financial expert.

### Code of Ethics

To date, the Company has not adopted a code of business conduct and ethics applicable to its officers, directors or accounting officer.

### ITEM 6. EXECUTIVE COMPENSATION.

The following table sets forth the compensation paid to, or accrued for, each of our current and former executive officers during each of our last three fiscal years and the compensation paid to, or accrued for, each of our significant employees and consultants for the same period.

#### Summary Compensation Table

Annual Compensation	Long-Term Compensation
-----	-----
	Securities
	ties

Edgar Filing: BION ENVIRONMENTAL TECHNOLOGIES INC - Form 10SB12G

Name and Principal Position	Fiscal Year	Salary(1)	Bonus	Other Compensation	Restricted Stock Awards	Underlying Options/SARs	LTIP Payouts
Mark A. Smith (2), President and Interim Chief Financial Officer since March 25, 2003, Director	2006	150,000	12,500	20,569 (5)	-	121,875	-
	2005	150,000	-	19,908 (5)	-	25,000	-
	2004	150,000	-	10,910 (5)	-	290,000	-
Jere Northrop, Senior Technology Officer, Director	2006	57,999	12,000	-	-	118,750	-
	2005	63,000	-	-	-	112,500	-
	2004	81,466	-	-	-	-	-
Jon Northrop, Secretary, Director	2006	-	-	-	-	68,750	-
	2005	-	-	-	-	-	-
	2004	-	-	-	-	65,000	-
				42			
Brightcap/ Dominic Bassani (3), General Manager of Dairy	2006	300,000	-	44,719 (5)	-	-	-
	2005	195,000	-	41,405 (5)	-	-	-
	2004	230,000	-	18,224 (5)	-	-	-
Salvatore J. Zizza, (4) Chairman and Director of Bion Dairy	2006	210,000	-	-	-	-	-
	2005	-	-	-	-	-	-
	2004	-	-	-	-	37,500	-
George W. Bloom, Chief Operating Officer Bion Technologies	2006	142,500	30,000	-	-	-	-
	2005	120,000	-	-	-	197,500	-
	2004	120,000	-	-	-	-	-