

BION ENVIRONMENTAL TECHNOLOGIES INC
Form 10-Q
February 07, 2012

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2011

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

For the transition period from _____ to _____

Commission File No. **000-19333**

Bion Environmental Technologies, Inc.

(Name of registrant in its charter)

Colorado
(State or other jurisdiction of incorporation or formation)

84-1176672
(I.R.S. employer
identification
number)

Box 566 / 1774 Summitview Way

Crestone, Colorado 81131

(Address of principal executive offices)

(212) 758-6622

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller

reporting company)

SEC 1296 (03-10) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS: Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Not applicable.**

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. On February 7, 2012, there were 16,441,551 Common Shares issued and 15,737,242 Common Shares outstanding.

BION ENVIRONMENTAL TECHNOLOGIES, INC.

FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "predict," "plan," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. The expectations reflected in forward-looking statements may prove to be incorrect.

PART I - FINANCIAL INFORMATION**BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

| | December 31, 2011 (unaudited) | June 30, 2011 |
|---|-------------------------------------|------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash | \$ 858,198 | \$ 1,394,388 |
| Prepaid insurance and expenses | 9,114 | 44,476 |
| Subscriptions receivable (Note 7) | - | 200,000 |
| Deposits and other receivables | 8,862 | 11,956 |
| Total current assets | 876,174 | 1,650,820 |
| Restricted cash (Note 9) | 57,315 | 82,315 |
| Property and equipment, net (Note 4) | 7,670,449 | 7,291,899 |
| Total assets | \$ 8,603,938 | \$ 9,025,034 |
| LIABILITIES AND EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 659,667 | \$ 1,482,454 |
| Deferred compensation (Note 5) | 560,954 | 81,204 |
| Total current liabilities | 1,220,621 | 1,563,658 |
| Loan payable (Note 6) | 7,754,000 | 6,411,568 |
| Other liabilities (Note 7) | 1,009,389 | 743,915 |
| Deferred compensation (Note 5) | - | 181,500 |
| Deferred rent (Note 9) | 34,821 | 45,054 |
| Total liabilities | 10,018,831 | 8,945,695 |

Series B Redeemable Convertible Preferred stock, \$0.01 par value, 50,000

| | | |
|--|--------|-----------|
| shares authorized; 450 and 28,170 shares issued and outstanding, | 41,400 | 2,521,215 |
|--|--------|-----------|

respectively; liquidation preference of \$47,250 and \$2,887,425,

respectively

Deficit :

Bion's stockholders' equity (deficit):

Series A Preferred stock, \$0.01 par value, 10,000 shares authorized, no

- -

shares issued and outstanding

Series C Convertible Preferred stock, \$0.01 par value, 60,000 shares

authorized; 300 and 32,150 shares issued and outstanding, respectively;

| | |
|--------|-----------|
| 27,550 | 2,877,425 |
|--------|-----------|

liquidation preference of \$31,500 and \$3,295,375, respectively

Common stock, no par value, 100,000,000 shares authorized, 16,437,052

and 13,730,291 shares issued, respectively; 15,732,743 and 13,025,982

- -

shares outstanding, respectively

Additional paid-in capital

| | |
|--------------|--------------|
| 88,931,762 | 80,197,027 |
| (90,502,254) | (85,617,251) |

Accumulated deficit

Total Bion s stockholders deficit

| | |
|-------------|-------------|
| (1,542,942) | (2,542,799) |
|-------------|-------------|

Noncontrolling interest (Note 3)

| | |
|--------|---------|
| 86,649 | 100,923 |
|--------|---------|

Total deficit

| | |
|-------------|-------------|
| (1,456,293) | (2,441,876) |
|-------------|-------------|

Total liabilities and deficit

| | |
|--------------|--------------|
| \$ 8,603,938 | \$ 9,025,034 |
|--------------|--------------|

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|----------------|-------------------------|---------------|
| | December 31, | | December 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Operating expenses: | | | | |
| General and administrative (including stock-based compensation (Note 8)) | 1,025,628 | 3,088,192 | 4,788,055 | 3,879,666 |
| Research and development (including stock-based compensation (Note 8)) | 28,360 | 51,956 | 98,494 | 100,957 |
| Total operating expenses | 1,053,988 | 3,140,148 | 4,886,549 | 3,980,623 |
| Loss from operations | (1,053,988) | (3,140,148) | (4,886,549) | (3,980,623) |
| Other expense (income): | | | | |
| Interest expense | 7,215 | 4,997 | 14,430 | 9,122 |
| Interest income | (695) | (762) | (1,702) | (2,995) |
| | 6,520 | 4,235 | 12,728 | 6,127 |
| Net loss | (1,060,508) | (3,144,383) | (4,899,277) | (3,986,750) |
| Net loss attributable to the noncontrolling interest | 1,171 | 1,323 | 14,274 | 3,093 |
| Net loss attributable to Bion | (1,059,337) | (3,143,060) | (4,885,003) | (3,983,657) |
| Conversion inducement (Note 8) | (206,678) | - | (755,258) | - |
| Dividends on preferred stock | (1,875) | (136,637) | (151,425) | (254,774) |
| Net loss applicable to Bion's common stockholders | \$(1,267,890) | \$ (3,279,697) | \$(5,791,686) | \$(4,238,431) |
| Net loss applicable to Bion's common stockholders per basic and diluted common share | \$ (0.08) | \$ (0.27) | \$ (0.40) | \$ (0.35) |
| Weighted-average number of common shares outstanding: | | | | |
| Basic and diluted: | 15,818,467 | 12,178,602 | 14,634,645 | 12,129,578 |

See notes to consolidated financial statements

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BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
SIX MONTHS ENDED DECEMBER 31, 2011 (UNAUDITED)

| | Series C Preferred Stock | | Bion's Shareholders Common Stock | | Additional paid-in capital | Accumulated Deficit | Noncontrolling Interest | Total equity/(deficit) |
|---------------------------------------|--------------------------|--------------|----------------------------------|--------|----------------------------|---------------------|-------------------------|------------------------|
| | Shares | Amount | Shares | Amount | | | | |
| Balances, July 1, 2011 | 32,150 | \$ 2,877,425 | 13,730,291 | \$ - | \$80,197,027 | \$(85,617,251) | \$100,923 | \$(2,441,876) |
| Vesting of options for services | - | - | - | - | 2,301,106 | - | - | 2,301,106 |
| Issuance of common stock for services | - | - | 87,867 | - | 1,261,318 | - | - | 1,261,318 |
| Modification of warrants | - | - | - | - | 5,000 | - | - | 5,000 |
| Sale of units | - | - | 110,000 | - | 9,526 | - | - | 9,526 |
| Dividends on Series B preferred stock | - | - | - | - | (70,300) | - | - | (70,300) |
| Dividends on Series C preferred stock | - | - | - | - | (81,125) | - | - | (81,125) |