

BION ENVIRONMENTAL TECHNOLOGIES INC

Form 10-Q

February 07, 2013

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended December 31, 2012**

.. 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 6, 2013, there were 17,325,565 Common Shares issued and 16,621,256 Common Shares outstanding.

**BION ENVIRONMENTAL TECHNOLOGIES, INC.****FORM 10-Q****TABLE OF CONTENTS**

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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,		June 30,
	2012		2012
	(unaudited)		
<b>ASSETS:</b>			
Current assets:			
Cash	\$ 380,483	\$	399,992
Restricted cash (Note 8)	57,315		-
Prepaid insurance and expenses	6,257		42,707
Deposits and other receivables	6,958		6,958
Total current assets	451,013		449,657
Restricted cash (Note 8)	-		57,315
Property and equipment, net (Note 3)	7,823,860		8,172,702
Total assets	\$ 8,274,873	\$	8,679,674
<b>LIABILITIES AND EQUITY (DEFICIT)</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 872,916	\$	711,677
Deferred rent (Note 8)	19,461		-
Loans payable - affiliates (Note 4)	126,410		-
Current portion of deferred compensation (Note 5)	194,583		83,083
Total current liabilities	1,213,370		794,760
Loan payable (Note 6)	7,754,000		7,754,000
Deferred compensation, less current portion (Note 5)	1,143,580		833,452
Deferred rent (Note 8)	-		27,992
Total liabilities	10,110,950		9,410,204
Series B Redeemable Convertible Preferred stock, \$0.01 par value, 50,000	20,400		43,650



shares authorized; 200 and 450 shares issued and outstanding,

respectively; liquidation preference of \$23,000 and \$49,500, 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 shares issued and outstanding, respectively;

liquidation preference of \$34,500 and \$33,000, respectively

Common stock, no par value, 100,000,000 shares authorized, 17,314,819

and 16,814,103 shares issued, respectively; 16,610,510 and 16,109,794

shares outstanding, respectively

Additional paid-in capital

Accumulated deficit

Total Bion's stockholders' deficit

Noncontrolling interest

Total deficit

Total liabilities and deficit

	-	-
	30,550	29,050
	-	-
	93,728,542	91,177,978
	(95,696,665)	(92,065,095)
	(1,937,573)	(858,067)
	81,096	83,887
	(1,856,477)	(774,180)
	\$ 8,274,873	\$ 8,679,674

See notes to consolidated financial statements

**BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2012 AND 2011**  
**(UNAUDITED)**

	Three Months ended		Six months ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
General and administrative (including stock-				
based compensation (Note 7))	1,071,694	1,025,628	3,420,754	4,788,055
Research and development (including stock-				
based compensation (Note 7))	37,713	28,360	86,319	98,494
Total operating expenses	1,109,407	1,053,988	3,507,073	4,886,549
Loss from operations	(1,109,407)	(1,053,988)	(3,507,073)	(4,886,549)
Other expense (income):				
Interest expense	72,068	7,215	127,384	14,430
Interest income	(46)	(695)	(96)	(1,702)
	72,022	6,520	127,288	12,728
Net loss	(1,181,429)	(1,060,508)	(3,634,361)	(4,899,277)
Net loss attributable to the noncontrolling				
interest	1,393	1,171	2,791	14,274
Net loss attributable to Bion	(1,180,036)	(1,059,337)	(3,631,570)	(4,885,003)

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Conversion inducement	-	(206,678)	-	(755,258)
Dividends on preferred stock	(1,250)	(1,875)	(2,917)	(151,425)
Net loss applicable to Bion's common				
Stockholders	\$ (1,181,286)	\$ (1,267,890)	\$ (3,634,487)	\$ (5,791,686)
Net loss applicable to Bion's common				
stockholders per basic and diluted common				
share	\$ (0.07)	\$ (0.08)	\$ (0.21)	\$ (0.40)
Weighted-average number of common shares				
outstanding:				
Basic and diluted	17,196,001	15,818,467	17,061,635	14,634,645

See notes to consolidated financial statements

**BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)**  
**SIX MONTHS ENDED DECEMBER 31, 2012 (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, 2012	300	\$29,050	16,814,103	\$ -	\$91,177,978	\$(92,065,095)	\$83,887	\$ (774,180)
Vesting of options for services	-	-	-	-	353,110	-	-	353,110
Issuance of common stock for services	-	-	42,660	-	1,206,872	-	-	1,206,872
Issuance of warrants for services	-	-	-	-	33,000	-	-	33,000
Sale of units	-	-	458,056	-	960,499	-	-	960,499
Dividends on Series B preferred stock	-	-	-	-	(1,417)	-	-	(1,417)
Dividends on Series C preferred stock	-	1,500	-	-	(1,500)	-	-	-
Net loss	-	-	-	-	-	(3,631,570)	(2,791)	(3,634,361)

Balances, December 31, 2012	300	\$30,550	17,314,819	\$	-	\$93,728,542	\$(95,696,665)	\$81,096	\$(1,856,477)
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See notes to consolidated financial statements

**BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED DECEMBER 31, 2012 AND 2011 (UNAUDITED)**

	2012		2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (3,634,361)	\$	(4,899,277)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	412,537		8,149
Accrued interest on deferred compensation and other	44,431		8,250
Stock-based compensation	1,592,982		3,567,424
Decrease in prepaid insurance and expenses	36,450		35,362
Decrease in deposits and other receivables	-		3,094
Increase (decrease) in accounts payable and accrued expenses	159,046		(822,787)
Increase in deferred compensation	384,050		290,000