



October 4, 2011

“Production agriculture, environmental necessities and raw economics are coming together like never before. Companies on the cutting edge of these efforts, like Bion, can change the entire way farming and natural resources management have been done throughout our history.”

Dan Glickman (2002)
U.S. Secretary of Agriculture, 1995 – 2001

OVERVIEW

Bion’s patented and proprietary technology:

- dramatically reduces air and water pollution from livestock waste.
- converts cellulosic biomass in the waste stream into renewable energy.

Bion has provided solutions to the livestock industry since 1990, with 30 first-generation livestock waste environmental treatment systems installed through 2003. The Company’s next generation technology is the result of \$65 million and more than 20 years of research & development, testing, commercial deployment, and further adaptation to evolving standards and opportunities. Bion’s technology is now gaining acceptance with the U.S. EPA and state regulatory agencies as a comprehensive and effective solution to the environmental problems associated with livestock waste.

Bion is pursuing its business opportunities primarily through two wholly-owned subsidiaries:

Bion Services Group provides environmental waste treatment for existing livestock facilities. Bion’s technology has been approved to generate nutrient credits under Pennsylvania’s nutrient credit trading program that was implemented to help the State comply with its obligation to reduce nutrients under the Chesapeake Bay Tributary Strategy. Bion anticipates the sale of these credits to offset the nutrient discharges of municipal wastewater treatment plants in the region. Bion anticipates similar opportunities in the Mississippi River Basin and other areas. Many other states have begun the process of implementing nutrient credit trading programs.

Bion Integrated Projects Group will permit and develop new environmentally-sustainable large-scale livestock facilities made possible by Bion’s unique, proven technology. These facilities can be integrated with related agribusiness activities such as food processing and biofuel production in previously impracticable locations. Integrated Projects, whose thermal energy requirements are generated from the livestock waste biomass, significantly reduce transportation and energy costs and improve efficiencies, opportunities and profit margins for all partners. Bion has conducted significant predevelopment work on its initial Integrated Project, a large beef cattle finishing operation, combined with a slaughter and further processing facility and biofuels production in the

northeastern U.S. The Company has begun preliminary work on a large dairy integrated with a cheese production facility and ethanol production in the Midwest.

EXECUTIVE SUMMARY

Bion applies modern *cleantech* principles to agribusiness to create a unique opportunity in the livestock, food processing, renewable energy and wastewater treatment industries. Bion's technology platform largely eliminates the air and water pollution associated with livestock waste and recovers significantly more renewable energy from the waste biomass than other technologies (including anaerobic digesters) that seek to exploit this energy source.

The impact of livestock waste was recently identified by the U.N. as one of the greatest environmental threats facing the world today. U.S. livestock produce more than 1.4 BILLION tons of organic waste that is essentially untreated. Much of the waste is now produced on large scale farms or CAFOs (concentrated animal feeding operations - EPA estimates there are more than 20,000 in the U.S.). The waste is temporarily stored in 'lagoons' or in piles on the ground and then periodically sprayed or otherwise applied on fields as fertilizer, where it can overwhelm the surrounding watershed's natural ability to cope with it. Excess nutrients – nitrogen and phosphorus – are in a water-soluble form that often runs-off to contaminate downstream waters and significant amounts of ammonia, greenhouse and other harmful gases volatilize from the waste. Ammonia moves downwind where it re-deposits, adding significantly more nitrogen back into the watershed.

Excess nutrient levels associated with concentrated livestock waste and other sources have already severely impacted our environment. The EPA reported ten years ago that livestock waste had polluted 35,000 miles of rivers in 22 states and contaminated groundwater in 17 states. EPA's 2000 Water Quality Inventory: concluded that agriculture is the leading source of pollution in 48 percent of river miles, 41 percent of lake acres (excluding the Great Lakes), and 18 percent of estuarine waters found to be water-quality impaired. A 2008 report from the Pew Commission on Industrial Farm Animal Production (IFAP) stated that the current IFAP system poses unacceptable risks to public health and the environment. According to a 2010 task group made up of U.S. EPA staff and state regulators, nitrogen and phosphorus pollution has the potential to become "*one of the costliest, most difficult environmental problems we face in the 21st century.*"

Livestock waste has also been singled out as a major source of greenhouse gas emissions and was included in a list of sources targeted in a proposal by the US EPA for mandatory ammonia reporting. In December 2009, USDA signed an historic agreement with dairy producers to cut greenhouse gas emissions by 25% by 2020.

Political and Regulatory Trends

Regulatory scrutiny of excess nutrients and livestock waste has sharply increased at both state and federal levels. A long list of recent actions and activities includes:

- *September 2008* – GAO issues CAFO Report, highly critical of livestock industry and EPA
- *January 2009* – EPA begins project with several states to study pathogens in the Ohio River.
- *March 2009* – EPA top officials begin referring to CAFOs as a "national priority for US EPA."
- *May 2009* – President Obama signs Executive Order naming the Bay a 'national treasure' and calling for its protection and restoration
- *September 2009* – USDA Secretary Vilsack announces major initiative to improve health of Mississippi River Basin
- *September 2009* – Federal Leadership Committee issues Chesapeake Bay Draft Strategy – acknowledges livestock ammonia is a major source of nitrogen

- *October 2009* – US EPA Administrator Lisa Jackson testifies that Clean Water Action Enforcement Plan challenges include pollution caused by numerous, dispersed sources, such as concentrated animal feeding operations.
- *October 2009* – Multi-state water quality trading effort launched in Ohio River Basin
- *December 2009* – USDA Secretary and dairy producers sign historic agreement to cut greenhouse gas emissions by 25% by 2020.
- *July 2010* – US EPA announces Chesapeake Bay TMDLs.
- *September 2010* – US Office of Science and Technology report warns of expanding threat of hypoxia in US coastal waters.
- *September 2010* – USGS warns that elevated Nitrogen and Phosphorus still widespread in much of the Nation's streams and groundwater
- *February 2011* – Food and Water Watch/CA Sportfishing Protection Alliance issue report on industrial dairies, groundwater pollution and regulatory failure in California's Central Valley.
- *March 2011* – Environmental Integrity Project issues analysis of EPA's national air emissions monitoring study data

Bion is well-positioned to capitalize on this growing trend. The Company's proven technology offers the only comprehensive solution at this time to the environmental impacts of livestock waste: air and water pollution, as well as reductions in pathogens, hormones and antibiotics, pesticides and herbicides.

Bion's Services Group

BSG's business opportunity is to provide environmental solutions to existing livestock operations as well as generate renewable energy from their waste. Bion's technology can be implemented through either:

- Retrofit of existing CAFOs.
- Central Processing Facilities that will consolidate waste treatment services in areas with geographically-clustered livestock operations and fragmented ownership.

Chesapeake Bay Watershed Bion's immediate opportunity is nutrient credit trading in the Chesapeake Bay watershed. The Bay is the nation's largest estuary and represents a significant portion of the regional economy through both recreation and harvests of crabs, oysters and fish. The Chesapeake Bay watershed covers 64,000 square miles of the East Coast, stretching from upstate New York to southern Virginia. Its waters are severely polluted, primarily by nitrogen and phosphorus from agricultural land, cities and towns, wastewater plants, and airborne contaminants. The impact of these forces is magnified because the Bay is shallow and has the largest land-to-water ratio of any coastal body of water in the world.

Under current regulations, municipal wastewater treatment plants (MWTP) in the Bay are being held accountable for nutrient pollution that mostly comes from agriculture and livestock operations. MWTPs are classified as 'point source' polluters and are held to a high standard of regulation under the Clean Water and Clean Air Acts – even though they produce only about 11% of the nutrients to the Bay. Livestock facilities, even the largest CAFOs, are considered 'non-point source' polluters and are regulated under much less-restrictive CAFO Rules, although they are responsible for more than 25% of the Bay's nutrient load.

Due to this regulatory disparity, MWTPs in Pennsylvania today are required to reduce their nitrogen discharges by 7.5 million pounds per year to comply with the Bay Strategy and face plant upgrade costs exceeding \$1.4 billion plus \$60M in annual operating costs (or an average annual cost of \$21 per pound of nitrogen removed) – even though the majority of the pollution originates with livestock and other agricultural operations in the area.

To encourage on-farm nitrogen reductions that can be made at substantially lower cost, Pennsylvania established a nutrient credit trading program that allows verifiable voluntary reductions in agricultural (non-point source) nutrient pollution to be certified as credits that can then be sold to MWTPs to offset their (point source) nutrient discharges that have higher remediation costs. The program could allow Pennsylvania to shift the burden of nutrient reductions from expensive municipal treatment plant upgrades to far less costly agricultural improvements in order to achieve the desired overall nutrient reductions at a substantial savings to the municipal ratepayers.

Bion's technology was recently approved by the Pennsylvania Department of Environmental Protection (PA DEP) to generate credits for reductions of nitrogen and phosphorus and ammonia emissions from dairy farms that contribute nutrients to the Chesapeake Bay. Bion's system represents the only technology approved for this purpose. PENNVEST (Pennsylvania Infrastructure Investment Authority) provided low-interest \$7.8 million financing for Bion's initial Kreider Farms dairy project (additional details below). Bion anticipates it will be able to profitably sell nutrient credits at approximately \$8 per pound per year, substantially less than the \$21 per pound average cost (the cost at many MWTPs is substantially higher) to upgrade MWTPs in the region or the even greater costs of stormwater runoff treatment.

The second largest but fastest-growing source of nutrients to the Bay is stormwater runoff, another 'non-point source' contributor of nitrogen. Stormwater runoff sources include fields and open spaces, forests, commercial and residential developments. Much of the excess nutrients from these locations originates as ammonia emissions from livestock operations. Ammonia volatilizes into the atmosphere and ultimately redeposits nitrogen in the watershed; once deposited, the nitrogen runs off through rain and snowmelt to add to the Bay's nutrient load. The estimated costs to capture and treat this nutrient source are dramatically high and vary widely – ranging from \$50 to \$200 per pound, resulting in a 'blended' cost (along with MWTP upgrades) of approximately \$40 per pound of nitrogen removed.

The Reports prepared under the Chesapeake Bay Executive Order for the first time acknowledge the substantial impact of airborne nitrogen re-deposition (also noted in several of the subsequent Comments) and the Report establishes an 'airshed' for the Bay that encompasses seven times more land area (and far more CAFOs/animals) than the watershed. Bion's technology eliminates more than 90% of the ammonia (that leads to nitrogen redeposition) generated from traditional livestock production and land-application of waste. Bion's ability to virtually eliminate the substantial livestock ammonia emissions associated with livestock operations represents a far cheaper alternative to stormwater runoff treatment by treating the problem at the source rather than along the pathway of the redeposited nitrogen.

Bion estimates that the overall market opportunity for Bion in the CB watershed is larger and of a longer duration than initially anticipated. While regulatory and enforcement policy is still evolving and, therefore, the impact of those future policies upon Bion's operations cannot be precisely predicted and/or fully quantified, Bion believes that the tremendous difference between its cost to remove nutrients from a waste stream versus the costs required for conventional waste water treatment technologies or stormwater runoff treatment, makes it reasonable to believe that Bion's potential profitability from these projects should be significant. The Company also projects steady growth over the following five years from new projects as CB cleanup requirements expand. Based on the aggregate size of livestock operations in the Chesapeake Bay watershed, Bion believes that the potential market for reductions in nitrogen loadings to the CB basin from livestock could increase tenfold to total in excess of 75 million lbs annually (including airborne ammonia) with certified tradable nutrient credits equaling 50 to 60% of that aggregate N reduction.

Mississippi River Basin Bion also believes that it is reasonable to assume that the CB Program strategies developed by US EPA and various state regulatory agencies to address the issue of excess N loadings to the CB watershed clean-up will be subsequently applied to deal with the much larger nutrient pollution problems of the Mississippi River Basin (including its large tributaries such as the Ohio, Missouri and other large rivers) that are a primary cause of the 'Dead Zone' in the Gulf of Mexico and similar problems elsewhere. For more information on the Basin, visit the US EPA's website at www.epa.gov/msbasin/index.htm.

In September 2009, the US Department of Agriculture announced the Mississippi River Basin Healthy Watersheds Initiative that will attempt to reduce excessive nitrogen and phosphorus runoff from farms that enters the river through its tributaries and creates a "dead zone" each summer in the Gulf of Mexico. The program will provide an initial \$320 million over the next four years to promote practices to reduce nutrient runoff in Minnesota and 11 other states in the MRB.

The American Farmland Trust (AFT) announced that US EPA would provide a \$1 million targeted watershed grant to establish a water quality trading market across the Ohio River Basin, an area that spans fourteen states. The project will focus on Ohio and seven nearby states, with the goal of improving water quality in the Ohio River Basin and reducing hypoxia in the Gulf of Mexico. AFT's partners in this venture include Electric Power Research Institute (EPRI), the Ohio River Valley Sanitation Commission (ORSANCO), Duke Energy, American Electric Power, Kieser & Associates, Hunton and Williams, The Miami Conservancy District, University of California at Santa Barbara, Ohio Farm Bureau, Hoosier Rural Electric Cooperative, and Tennessee Valley Authority. Bion believes that it is reasonable to anticipate large business opportunities for Bion in these areas commencing in the next two years.

Bion's technology offers the only comprehensive environmental treatment of livestock waste at this time. More than half of the 9 million dairy cows, 105 million beef cows and 60 million swine in the U.S. are produced on CAFOs. There are many regions in the U.S. that suffer from the environmental impacts of CAFO waste. Bion anticipates that the recent understanding of the environmental issues associated with livestock factory farms, as well as the ongoing realization of their downstream costs, will create a growing demand for its technology.

Kreider Dairy – Chesapeake Bay Watershed

Bion completed construction in June 2011 of a system to treat the waste from Kreider Farm's 2,000-head dairy facility in Lancaster County, Pennsylvania. The system will reduce ammonia emissions and nitrogen in the effluent to generate nitrogen credits that can be used to offset requirements to reduce nitrogen under the Chesapeake Bay Tributary Strategy.

Bion worked extensively with the Pennsylvania Department of Environmental Protection over the past four years to establish a nutrient credit calculation/verification methodology that is appropriate to Bion's technology and recognizes its 'multi-media' (both water and atmospheric) approach to nutrient reductions. The DEP has approved Bion's protocols for measuring and calculating credits for its system's reduction of nitrogen and phosphorus in the liquid effluent, as well as ammonia emissions that have been recognized as a significant contributor of nutrients in the Bay through downwind deposition of nitrogen. The PENNVEST Board of Directors approved a low-interest loan for Phase I of Bion's Kreider Farms project following Bion's lengthy review process by Penn State University and PA DEP and stakeholder meetings with US EPA, PA DEP, PA Department of Agriculture and others.

Bion received approval of its construction permit from the PA DEP in August 2010. Construction on the project commenced in September 2010 and was completed in early June 2011. A system 'shakedown' was conducted beginning in June and will proceed through the balance of 2011. The system grand opening event was held on July 21, 2011.

Bion anticipates that Phase 1 of its Kreider Dairy project will initially generate approximately 150,000 credits annually. Phase 2 will include renewable energy production from the dairy waste solids as well as the waste from Kreider's approximately 5 million chickens. Upon successful completion of Phase 2, which requires PA DEP to approve additional protocols, the project (which has received an initial certification of over 500,000 credits annually) is anticipated to produce a total of 1.5M credits annually from the Kreider livestock, with the potential to expand up to 3M with the treatment of waste from surrounding farms. Bion estimates it will receive approximately \$8 to \$10 per credit per year and that the projects will produce EBITDA (not a GAAP term) of between \$7 and \$10 million from the nutrient credits only.

Bion expects that upon completion of Phase 2, the Kreider project will generate additional revenues from the production of renewable energy from the livestock waste as well as existing and anticipated renewable energy credits and incentives. Bion also anticipates future revenues from credits for its substantial reductions of greenhouse gases from livestock waste as well as the potential for credits for reductions of phosphorus in the local watershed and tipping fees for the intake of waste from surrounding farms.

Bion's Integrated Projects Group

BIPG's business opportunity is driven by its unique ability to minimize the environmental impacts of livestock waste. With the ability to greatly reduce the environmental footprint of livestock, Bion can permit and develop new large state-of-the-art facilities in strategic locations where they were impossible to permit before, due to environmental concerns. Further, these large scale facilities can be operated on considerably less acreage as they no longer produce waste that needs to be spread on the landscape. As a result, livestock facilities can be developed closer to their markets, eliminating much of the transportation inefficiency inherent in the industry's current structure.

U.S. livestock herds are currently positioned far from prime consumer markets, often in remote and under-populated locations with lax environmental oversight – where permits could be obtained. Abundant water and cheap energy that allowed livestock and corn to be economically transported over long distances, made those decisions economically feasible in the past. Today's increased environmental awareness, higher energy and transportation costs, as well as scarcer water resources, have added a tremendous financial burden to the livestock production, processing and distribution chain that can be minimized by strategic location.

Bion can develop environmentally sustainable livestock facilities of large enough scale to be efficiently integrated with meat and/or milk processing and, in some cases, biofuels, in a cooperative entity that exploits their natural synergies. Integrated Projects will utilize renewable energy that is produced from the livestock waste biomass and consumed on-site, replacing the Projects' use of natural gas. Project partners will benefit from further reductions in transportation costs due to their proximity, as well as sharing of resources and infrastructure. Sufficient scale of the livestock operations enables single-sourcing to the processor, providing control of inputs and processes that result in improved food safety and security. Integration and scale in strategic geographical locations unlocks resource and operational efficiencies that reduce risks and produce significant competitive advantages over traditionally-located and -operated facilities.

Bion has identified three primary market opportunities to develop Integrated Projects:

Existing Processing: newly-permitted livestock herds located near existing beef or dairy processing plants. A dedicated herd with Bion environmental treatment will create the opportunity for the processor to brand finished products as being 'environmentally-responsible,' 'Green,' or 'locally-grown,' as well as provide single sourcing for inputs resulting in improved food safety, security and accountability. Having the herd in close proximity to

the processing plant will substantially reduce transportation costs. The processing plant can purchase and utilize the renewable energy Bion produces from the CAFO wastes.

Existing Ethanol: newly-permitted livestock herds located near existing ethanol plants that are struggling in the current economic environment. In Bion's closed-loop livestock/ethanol model, a corn ethanol plant serves as a feed mill for the livestock herd. The plant provides its distiller grain co-product to supplement the herd's ration, eliminating the ethanol plant's traditional costs to dry, market and ship its distiller grains. The ethanol plant is an onsite consumer of the renewable energy generated from the herd's waste that replaces all of the remaining fossil fuel requirements of the ethanol plant. Efficiency is significantly increased since integration enables three 'shots' at the corn: first ethanol is produced from it, then it is fed to the cows, then renewable energy is produced from the leftover cellulosic biomass extracted from the livestock waste stream. Integration with Bion's technology platform more than triples the energy efficiency of corn ethanol production, improving the generally-accepted net energy balance of 1.4 to 1 to approximately 3.5 to 1 (or greater)(based on the Argonne National Laboratories GREET model assessment of a similar integrated, closed-loop project) – close to the efficiency targets for future cellulosic ethanol production.

Greenfield Projects: Bion will develop new state-of-the-art Projects in selected locations that maximize economic advantages of the Projects' partners. Bion's partners in these Projects will realize increased productivity and profits by capitalizing on the operational and resource efficiencies of integration as described above. Additionally, the facilities and processes of Greenfield Project participants will be optimized to provide the greatest benefit to the Project as a cooperative enterprise. Further market advantages will result from strategic location, such as proximity to high-value product markets, product branding, and economic development incentives, subsidies and tax credits.

Integrated Projects represent a paradigm shift – not only in the economics and methodology of livestock, food and biofuel production – but in economic development opportunities for rural America, as well. Bion's Projects provide a rare opportunity for rural locations to secure new non-transferable, industrial quality jobs – 'Green Jobs.' Projects also produce wide-ranging indirect economic impacts through spending and increased activity among up- and downstream suppliers, vendors, and service providers and the local agricultural community.

Integrated Projects will provide a substantial economic benefit to nearby communities and Bion anticipates its Projects will enjoy public support consistent with existing economic development activities. Bion will evaluate the various communities within the general area in which it seeks to locate in order to determine which of them will meet the requirements of various state and federal economic development assistance programs.

Bion's technology also addresses a growing and powerful trend in the marketplace: increasing consumer demand for environmental responsibility in the manufacture of the products they purchase. Wal-Mart, with its ground-breaking environmental sustainability initiative, is a reflection of that shift. Bion's technology and its integrated agribusiness model can deliver dairy or beef products to the marketplace that will be produced with a substantially reduced carbon footprint in the most environmentally-friendly facilities in the world, creating compelling branding opportunities.

Northeast U.S. Project

Bion has begun pre-development work on an Integrated Project comprised of a large-scale beef cattle finishing operation coupled with a beef processing plant and an ethanol production facility to be located in the northeastern United States. Bion is currently evaluating locations in upstate New York and Pennsylvania. This Integrated Project is anticipated to provide substantial competitive advantages due to overall scale and gains in resource efficiency, branding opportunities, and

proximity to a market consisting of 50 million people within 300 miles. Bion has performed extensive studies over the past several years to establish the general economics and feasibility of a northeastern US project.

When completed, Bion's integrated and closed-loop beef cattle project will be the largest individual cattle livestock facility east of the Mississippi River. It will also be a world-wide model for environmental sustainability. Implementation of Bion's demonstrated and patented comprehensive waste treatment technology will result in the Project's finishing facilities exhibiting the smallest per head environmental footprint of any large livestock operation in the world. The Project's closed-loop architecture is intended to produce corn-based ethanol with a net energy balance at levels projected for future cellulosic ethanol (if and when a commercial cellulosic ethanol process can be developed and economically implemented). Bion's technology platform will produce renewable energy from livestock waste at a significantly greater per head rate than energy generated via the anaerobic digestion installations presently deployed in the livestock industry.

Bion will soon be entering the active 'pre-development/pre-construction phase' for this initial Project, a process anticipated to take up to two years. This phase will include: a) extensive work with state and local economic development representatives to maximize the Project's benefits to both the community and Bion, b) evaluation of suitable sites leading to options and ultimately acquisition of land for the Project, c) development of site-specific studies and reports demonstrating the economic and environmental viability of the proposed operations as the basis for permitting and financing, d) work with local, county and state officials to ensure compliance with stringent environmental standards, e) development of appropriate 'partnering' relationships for the Project, and f) acquisition of financing for construction.

Midwest Dairy Project

In addition to the northeastern US beef cattle project, Bion has been working with various local and state agencies in the Midwest to develop a large scale integrated dairy/cheese integrated project that would have a CAPEX cost estimated to be in excess of \$750 million and would generate 700 to 850 full time permanent jobs. This project is in its early stages. The Project would integrate a very large-scale dairy complex with a new dedicated milk processing/cheese production facility and, most likely, one or more existing ethanol production facilities. Preliminary plans involve up to 80,000 milking cows (requiring approximately 140,000 total head including the dairy support herd and steers) to be located on several satellite farms with waste treated by Bion's technology to assure environmental compliance and to produce renewable energy for use in the integrated facilities to replace fossil fuel requirements.

Bion has also had preliminary discussions with several nationally- and internationally-known food producers, processors, and distributors, regarding use of its technology to develop projects which integrate new livestock herds with both existing and new processing facilities in order to improve their economic efficiencies, reduce environmental impacts and carbon footprint, produce branding opportunities and address food-safety concerns.

Integrated Projects: Business Model/Strategy

Because Integrated Projects encompass livestock production, renewable energy, end product processing, and in many cases biofuel production, Bion's operating model is a combination of utility and landlord. In most cases, Bion will own the livestock facility and act as a utility, supplying waste treatment services and renewable energy to its Project partners (including the livestock herd and processing and/or ethanol plants), on long-term contracts. Depending on the Project, Bion may or may not have an ownership interest in the livestock, processing and/or biofuel Project participants. In the event Bion does not have an ownership interest in a Project partner, Bion will share in the economic benefits that each partner enjoys as a result of integration.

Bion's technology platform enables the generation of significant cash flow from the livestock herd, much of it not attainable in smaller or stand alone operations:

- Livestock rent
- Waste treatment fee
- Renewable energy sales at burner-tip (delivered) values
- Fine solids co-product sales – animal feed supplement and nutrient-rich organic fertilizer/soil product
- Greenhouse gas emission credits
- Nutrient credits
- State and Federal renewable energy credits
- Economic development incentives

Potential and/or future revenue sources include:

- Other air Emission Reduction Credits – ammonia, hydrogen sulfide, VOC's
- Equity interest in either the livestock herd, ethanol production and/or end-user/processor

Bion has had discussions with several large food processing operations in the dairy and beef sectors regarding potential Integrated Projects. Increases in transportation costs, regional droughts and other issues have exposed many weaknesses in today's livestock production, processing and distribution that have severely impacted profit margins in the production and processing industries. Bion's goal is to secure partners and sites within the next 2-3 years to commence development of five to eight Projects in various states throughout the U.S.

Bion has cultivated relationships in the Midwest with the intent to develop Projects by introducing new livestock herds to existing ethanol plants that currently are in severe financial distress. There are more than 130 ethanol plants currently operating in the U.S. In many of these locations, distiller grain production has surpassed the local livestock herds' ability to consume it. Ethanol plants in these locations, if they are not already doing so, are faced with the prospect of further increased costs from having to dry and ship their distiller grains. Bion intends to pursue these and other opportunities to integrate livestock with existing ethanol production.

At present it is not possible to project the exact economic returns and/or profitability for such Integrated Projects due to the early pre-development stage of each project and numerous variables related to future financing and partnering terms, as well as the availability of existing and proposed incentive plans for which such projects may qualify. However, Bion strongly believes that the economic efficiency of these closed loop integrated projects will increase the EBITDA (not a GAAP term) annual returns by 5 percentage points (or more) over the existing industry metrics. In a basic commodity business such as food products and ethanol production, this represents a very significant economic advantage which Bion believes will result in advantageous financing terms and in clearly superior profitability for its Integrated Projects.

Core Technology

Bion's core technology is its patented Nutrient Management System, a complex biological and mechanical system. The core technology platform removes approximately 75% of the nutrients in the wastewater effluent (up to 95% with additional treatment), reduces ammonia emissions by greater than 90% and provides substantial reductions of other air emissions including hydrogen sulfide and VOCs. According to an Econergy study commissioned by Bion, the platform reduces methane and nitrous oxide emissions (two very potent greenhouse gases) associated with livestock waste by up to 90%, providing substantial CO₂-equivalent reductions and potentially valuable credits. Bion's technology removes 99.9999% (six log kill) of pathogens in the waste stream. The platform's performance data was demonstrated on a commercial dairy in Texas and verified by a

third-party peer-review team of scientists and engineers including representatives of several regulatory agencies (full report at www.biontech.com). Bion holds 6 U.S. patents (with two pending), and five international patents (with five pending, including the European Union).

Renewable Energy

Bion's technology reclaims renewable energy from the livestock 'waste' stream. A large scale livestock facility produces vast quantities of manure. A Bion livestock facility is a high-volume source of consistent high-quality cellulosic biomass that contains a substantial amount of energy. The Bion system extracts cellulosic solids from the waste stream that are processed into a combustible solid fuel and used to provide thermal energy customarily supplied by natural gas.

Bion's technology platform will produce approximately 27,000 BTU's per day from the waste stream of a beef cow. The platform will generate approximately 70,000 BTU's of energy per day – or about 25.5 MBtu per year (one MBtu contains approximately the same amount of energy as one MCF of natural gas) – from a dairy cow due to differences in mass and dietary characteristics. This output is net of the energy used to provide the system's own thermal requirements and does not include additional efficiencies and sources of biomass.

Renewable energy produced from the waste from 100,000 beef cattle treated by a Bion system could be expected to replace the use of approximately 1,000,000 MCF of natural gas annually; from 100,000 dairy cows, about 2,550,000 MCF. Bion expects that renewable energy subsidies, credits and other incentives, consistent with those available for farm-based RE technologies such as anaerobic digestion, as well as wind, solar, and other alternative energy technologies, will be available for Bion's process.

It should be noted that Bion's environmental treatment platform is modular and can accommodate new technologies (as developed) that may produce greater energy recovery and/or higher valued fuels. Bion anticipates incorporating near-term technology developments in biomass-to-liquids (BTL) processes that will eventually produce significantly greater value through conversion of the livestock waste biomass to transportation fuel, such as cellulosic ethanol.

Competition/Technology Differentiation

Bion's technology platform is NOT an anaerobic digester (AD). Anaerobic digestion has been used for centuries and has received much attention recently for its ability to produce renewable energy and reduce greenhouse gas emissions from livestock waste. But, according to the U.S. EPA, AD's do not provide significant reductions in nutrient pollution and actually increase ammonia emissions and water soluble nitrogen. As such, AD's do not represent an environmental solution to existing livestock facilities nor do they support the permitting of concentrated, large scale livestock herds that are required to develop Integrated Projects. From a 'biomass to energy' perspective, Bion's platform produces almost three times the energy per animal than AD. It also provides substantially greater reductions of odors, greenhouse gases and other air emissions than AD.

Management

Bion has assembled an exceptional in-house and consulting management team (see Management Biographies) that provides expertise and experience in all disciplines required to execute the Company's business plan, including:

- Core technology
- Engineering
- Public Policy/Regulation
- Strategic planning/Operations/Finance
- Livestock – development and operations

- Biofuels – development and operations
- Industrial facilities development, construction and operations

Summary

Bion's technology platform is proven, markets have been identified, the team has been built and industry, regulatory and political relationships are in place. The technology and the business model are ready for, and now entering, commercial deployment. Bion Services Group recently completed its high-profile environmental project in the Chesapeake Bay watershed that was financed through PENNVEST. Bion Integrated Projects Group is evaluating opportunities to develop its first initial Integrated Project in the northeastern US, where extensive pre-development work has been accomplished, and is moving forward with preliminary work on its Midwest dairy project.

For additional information visit the Company's website at www.biontech.com.

*This Executive Summary 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 Executive Summary 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 comparable terminology are intended to identify forward-looking statements. **Risk 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. We do not undertake, and specifically disclaim any obligation, to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. Potential investors should carefully review the Company's 10-K (year end June 30, 2011) and other SEC filings at www.sec.gov/cgi-bin/srch-edgar?bion.*