

10-01-2003

Form PTO-1595 (Rev. 10/02)

OMB No. 0651-0027 (exp. 6/30/2005)

Tab settings



102563170

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

BION DAIRY CORPORATION, a Colorado Corporation

9-29-03

2. Name and address of receiving party(ies)

HARVEY BLITZ

Name: \_\_\_\_\_

Internal Address: \_\_\_\_\_

Street Address: \_\_\_\_\_

72-19 137th Street

City: FLUSHING State: NY Zip: 11367

Additional name(s) of conveying party(ies) attached?  Yes  No

3. Nature of conveyance:

- Assignment  Merger
- Security Agreement  Change of Name
- Other \_\_\_\_\_

Execution Date: 08/26/2003

Additional name(s) & address(es) attached?  Yes  No

4. Application number(s) or patent number(s):

If this document is being filed together with a new application, the execution date of the application is: \_\_\_\_\_

A. Patent Application No.(s)

09/709,171  
PCT/US01/46496

B. Patent No.(s)

4,721,569	5,078,882	5,472,472
5,538,529	5,626,644	5,755,852

Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Stanley F. Freedman, Esq.

Internal Address: \_\_\_\_\_

KRYS BOYLE, P.C.

DOMINION PLAZA, SUITE 2700S

Street Address: \_\_\_\_\_

600 SEVENTEENTH STREET

City: DENVER State: CO Zip: 80202

6. Total number of applications and patents involved:  8

7. Total fee (37 CFR 3.41).....\$ 320.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

SEP 29 AM 7:24  
OPR/FINANCE

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

*Dana B. Baggs*

Name of Person Signing

*Dana B. Baggs*

Signature

9/22/03

Date

Total number of pages including cover sheet, attachments, and documents:  15

09/30/2003 ECDOPER 00000077 09709171

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320.00 OP

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patents & Trademarks, Box Assignments  
Washington, D.C. 20231

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PATENT REEL: 014539 FRAME: 0951

**RECORDATION FORM  
(CONTINUATION OF INFORMATION)**

**Continuation of Item 1. Name of Conveying Parties.**

BION TECHNOLOGIES, INC.,  
a Colorado corporation

BIONSOIL, INC.,  
a Colorado corporation

BION ENVIRONMENTAL TECHNOLOGIES, INC.,  
a publicly held Colorado corporation

**Continuation of Item 2. Names and Addresses of Receiving Parties.**

Ellen Gilbertson, Trustee  
Lawrence Podell Irrev Trust U/A dtd 8/27/91  
253 Dale Drive  
Short Hills, New Jersey 07078

Stifel Nicolaus Custodian for  
Jonathan Berg IRA Acct# 14992225  
501 North Broadway  
St. Louis, MO 63108

Virginia Casadonte  
57 Rofay Drive  
East Northport, New York 11731

George Levinger  
904 Bay Road  
Amherst, MA 01002

Stephen J. Posner  
18 Ursula Drive  
Roslyn, New York 11576

Mr. David Mager  
P.O. Box 704  
Hatfield, MA 01038

Chris-Dan, LLC (Dominic)  
64 Village Hill Drive  
Dix Hills, New York 11746

David J. Mitchell  
18 East 50<sup>th</sup> Street  
New York, NY 10022

Dennis Rosen MD Profit Sharing Plan  
160 B High Street  
Amherst, New York 01002

Anthony G. Orphanos  
63 Crosby Street  
New York, New York 10012

Jodi Kirsch  
25 Elm Street  
Woodbury, New York 11797

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## SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of August 26,, 2003, by and among BION DAIRY CORPORATION, a Colorado corporation ("Dairy"), BION TECHNOLOGIES, INC. a Colorado corporation ("BionTech"), BIONSOIL INC., a Colorado corporation ("BionSoil"), BION ENVIRONMENTAL TECHNOLOGIES, INC., a publicly held Colorado corporation ("Bion") and the purchasers of those certain Bion Dairy Corporation Series 2003 Convertible Promissory Notes (collectively, the "Purchasers"). Dairy, BionTech and BionSoil are all wholly owned subsidiaries of Bion and are collectively with Bion referred to in this Agreement as the "Debtors" and this Agreement is being executed and delivered by the Debtors for the benefit of the Purchasers.

WHEREAS, Dairy is the issuer of those certain 2003 Series A Convertible Promissory Notes, which series is one of a multiple series of duly authorized issues of Bion Dairy Corporation 2003 Convertible Promissory Notes (the "Indebtedness");

WHEREAS, the conversion prices of the various series of 2003 Convertible Promissory Notes may be different from each other, but all of the amounts due under all of the series of the 2003 Convertible Promissory Notes are intended to be secured by the same identical collateral which is to be shared in pari pasu by all of the holders of all of the 2003 Convertible Promissory Notes, irrespective of the date of issuance;

WHEREAS, by execution of the Purchase Agreement each Holder has expressly consented to the granting of a security interest in the Collateral to the holders of additional series of 2003 Convertible Promissory Notes after the date hereof;

WHEREAS, the maximum aggregate principal amount of the 2003 Series A Convertible Promissory Notes combined is \$2,065,000 and the aggregate principal amount of all of the various series of 2003 Convertible Promissory Notes will be a maximum of \$6,000,000;

WHEREAS, all of the Debtors will realize a financial benefit from the proceeds of the 2003 Convertible Promissory Notes; and

WHEREAS, in order to induce the Purchasers to enter into the Promissory Notes, and as security for the obligations arising under the Promissory Notes, the Debtors have agreed to execute and deliver this Agreement and to grant the security interests provided for herein.

NOW, THEREFORE, the parties hereto hereby agree as follows:

Each 2003 Convertible Promissory Note is individually referred to herein as a "Promissory Note" and collectively as the "Promissory Notes." Each of the 2003 Series A Convertible Promissory Notes will be issued pursuant to a Note Purchase Agreement among Dairy, Bion, the Holder and the other parties thereto (the "Purchase Agreement").

1. Definitions. All terms used herein, unless otherwise defined herein, shall have the same meanings that such terms have in the Promissory Note and the related Note Purchase Agreement as in effect on the date hereof.

2. Grant of Security Interest. As collateral security for (i) the prompt and complete payment and performance by the Debtors when due (whether at stated maturity, by acceleration or otherwise) of the principal of, premium, if any, and interest on the Promissory Note, (ii) any and all other amounts payable from time to time by the Debtors to the Purchasers under the Promissory Note, including, without limitation, increases in the amounts of or refinancings of or other changes to the Promissory Note and any other loans or

other indebtedness that may be created by any amendment, supplement or other modification to, or restatement of, the Promissory Note, and (iii) the due and punctual performance of all of the obligations of the Debtors under this Agreement (all of the foregoing obligations are hereinafter collectively referred to as the "Obligations"):

Each of the Debtors hereby grants, sells, assigns, conveys, mortgages, pledges, hypothecates and transfers to the Purchasers a security interest in the Debtors' respective and collective right, title and interest in, to and under the following items and types of property described or referred to below, whether now owned or hereafter acquired (all of which being hereinafter collectively referred to herein as the "Collateral"):

(a) 4,000,000 shares of common stock of Bion Dairy Corporation owned by Bion which shares constitute all of the issued and outstanding stock of Dairy;

(b) 3,459,997 shares of the common stock of Centerpoint Corporation ("Centerpoint"), which shares constitute in excess of 57% of the issued and outstanding shares of Centerpoint; and

(c) All of the right, title and interest of the Debtors in and to their respective and collective intellectual property rights, patents, copyrights, trade secrets and know how, including without limitation the patents and other items listed on Schedule 1 attached hereto.

3. General Covenants of the Debtors.

(a) Upon the written request of the Purchasers, the Debtors will:

(i) during the continuance of an Event of Default, if and to the extent determined by the Purchasers to be desirable and to protect the interests of the Purchasers, notify and serve a copy of this Agreement upon each obligor upon any credit or other obligation at any time owing to the Debtors in such manner as the Purchasers may specify;

(ii) permit the Purchasers or their representatives, during normal business hours and upon reasonable prior notice, to inspect and make abstracts from its books and records pertaining to the Collateral;

(iii) furnish the Purchasers, from time to time at the request of the Purchasers, with written statements and schedules further identifying and describing the Collateral in such detail as the Purchasers may reasonably require;

(iv) advise the Purchasers promptly, in sufficient detail, of any substantial change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Purchasers' security interest therein;

(v) comply in all respects with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official, applicable to the Collateral or any part thereof or to the operation of the Debtors' business by the Debtors, the

noncompliance with which could have a material adverse effect on the Collateral or the operation of such business, provided that the Debtors may contest any acts, rules, regulations, orders and directions of such bodies or officials in any reasonable manner which will not, in the Purchasers' opinion, adversely affect its rights to the priority of their security interest in the Collateral; and

(vi) perform and observe all covenants, restrictions and conditions contained herein providing for payment of taxes and otherwise relating to the Collateral.

(b) For purposes of this Agreement, any of the following shall be considered to be an "Event of Default":

(i) Any representation or warranty in this Agreement or in the Promissory Note, or in any certificate, statement or other document made or furnished to the Purchasers hereunder shall prove to have been incorrect, or shall be breached, in any material respect; or

(ii) Default in the payment when due of the principal of, or any interest or fees on, the Promissory Note or any other amount payable to the Purchasers hereunder; or

(iii) Default by the Debtors in the performance or observance of any of their agreements and covenants contained herein which remains unremedied for 120 or more days; or

(iv) Any event of default or other event under any indenture, credit or loan agreement, note, or other agreement or instrument to which Dairy is a party and under which indebtedness an aggregate amount exceeding \$250,000 is outstanding, or by which any such indebtedness is evidenced, shall have occurred which, with notice or lapse of time or both, would permit the holder or holders of any such indebtedness (or a trustee or bank on its or their behalf) to accelerate the maturity thereof or to enforce any lien provided for by any such indenture, agreement or instrument, as the case may be; or

(v) Dairy shall be terminated, dissolved or liquidated (as a matter of law or otherwise) or proceedings shall be commenced by any person (including Dairy) with the consent of Dairy seeking the termination, dissolution or liquidation of Dairy; or

(vi) Dairy shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(vii) Dairy shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or readjustment of debts, (v) fail to controvert in a timely and

appropriate manner, or acquiesce in writing to, any petition filed against it in any involuntary case under the Bankruptcy Code, or

(viii) Dairy shall not take any action (corporate or otherwise) for the purpose of effecting any of the foregoing; or

(ix) A proceeding or case shall be commenced, without the application or consent of Dairy, in any court of competent jurisdiction seeking with respect to Dairy (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of Dairy or of all or any substantial part of the assets thereof, or (iii) similar relief in respect of any of Dairy under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 days, or an order for relief against Dairy shall be entered in an involuntary case under the Bankruptcy Code; or

(x) A final judgment or judgments for the payment of money in excess of \$250,000 in the aggregate shall be rendered by a court of record against Dairy, and Dairy shall not (i) be adequately bonded or insured against such judgment or judgments, or (ii) discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 10 days from the date of entry thereof and within said period of 10 days, or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal.

"Default" shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default.

c) The Debtors will not, without the prior written consent of the Purchasers:

(i) permit any of the Collateral to be levied upon under legal process or to fall under any other Lien or encumbrance of whatever nature unless promptly discharged; or

(ii) cause, permit or fail to take any action which may impair the security interests herein granted and/or intended to be granted hereby;

(iii) sell, lease, transfer, assign (including by virtue of assignments by operation of law), mortgage, pledge or otherwise dispose of or encumber any of the Collateral except for dispositions or encumbrances in accordance with the terms hereof and except for dispositions in a non-material amount in the ordinary course of business, or permit any party other than the Purchasers to perfect any security interest in such Collateral, whether for purchase money or otherwise, except as permitted hereby; or

(iv) permit any change in control of the ownership of the outstanding equity securities of Debtors, except for the issuance of shares to the Purchasers or its designee(s). For the purposes of this Agreement, the term "change in control" shall mean any change in the record or beneficial ownership of fifty percent or more of any class of the then issued and outstanding equity securities of the Debtors during any twelve month period.

(d) Each of the Debtors will maintain its respective books and records at its chief place of business, and will not change its name, or the name under which it conducts its business, or its address without giving the Purchasers written notice thereof.

(e) Dairy will preserve and maintain its legal existence and all of its rights and privileges material to its operation in the normal conduct of its business.

(f) Dairy will comply with the requirements of all applicable laws, rules, regulations and orders (including, without limitation, environmental laws and regulations) of any governmental body or regulatory authority, a breach of which could have a material adverse effect on its financial condition or the business or prospects, except where contested in good faith and by proper proceedings if adequate reserves are maintained with respect to any liability (contingent or otherwise) which might arise in connection therewith.

(g) Dairy will promptly give to the Purchasers notice in writing of all litigation and of all proceedings before any courts, arbitrators or governmental or regulatory agencies affecting the Collateral. Following the initial notice of each such litigation or proceeding, supplementary notices of all material developments in respect thereof shall be given from time to time in like manner.

(h) Dairy will not create, incur or suffer to exist on a consolidated basis any indebtedness except: (a) the Obligations under this Agreement and the Promissory Notes; (b) amounts due as accounts payable (c) capital lease obligations and indebtedness secured by purchase money security interests; and (d) bank debt in any amount deemed reasonable and/or necessary by Dairy.

(i) Dairy will operate all property owned or leased by it such that no obligation, including a clean-up obligation, shall arise or continue to exist under any environmental law or regulation, which obligation would constitute a lien or charge (prior to that in favor of the Purchasers) on any property of Dairy.

#### 4. Further Assurances.

(a) Each of the Debtors will, from time to time and at its own expense, promptly execute, acknowledge, witness and deliver and file and/or record, or cause the execution, acknowledgment, witnessing and delivery and the filing and/or recordation of, such specific and further assignments of Collateral and such other documents or instruments, and shall take or cause to be taken such other actions as shall be necessary or as the Purchasers may otherwise reasonably request, for the perfection against the Debtors and all third parties whomsoever of the security interest created hereby in the Collateral, in the properties covered thereby for the continuation and protection thereof, and

promptly give to the Purchasers evidence satisfactory to the Purchasers of such action. Without limiting the generality of the foregoing, each of the Debtors shall, promptly upon the execution and delivery of this Agreement, and at any time or from time to time thereafter upon the request of the Purchasers, execute, acknowledge, witness and deliver such financing and continuation statements, notices and additional security agreements, make such notations on its records and take such other action as shall be necessary, or as the Purchasers may otherwise reasonably request, for the purpose of perfecting, maintaining or protecting such security interest of the Purchasers, and shall cause this Agreement, any amendment or supplement hereto or thereto and each such financing and continuation statement notice and additional security agreements to be filed or recorded in such manner and in such places as may be required by applicable law or as the Purchasers may reasonably request for such purpose. The Debtors hereby authorize the Purchasers to effect any filing or recording which the Purchasers have requested pursuant to this Section 4(a) without the signature of any of the Debtors, to the extent permitted by applicable law.

(b) Without in any manner or to any extent or degree qualifying the obligations of the Debtors under Section 4(a) hereof, at any time and from time to time, upon the written request of the Purchasers, the Debtors shall promptly and duly execute, acknowledge, witness and deliver, or cause to be duly executed, acknowledged, witnessed and delivered, any and all such further instruments and documents, and take such further actions, as the Purchasers may reasonably request, to obtain for the Purchasers the full benefit of this Agreement and any supplemental security agreement thereto and of the rights and powers herein or therein granted.

5. The Purchasers may, at any time and from time to time, at their option, after having given at least ten (10) days' prior notice of its intention to do so to the Debtors, perform any action which is undertaken by the Debtors to be performed by it hereunder but which the Debtors shall have failed to perform, and the Purchasers may take any other action which the Purchasers may deem reasonably necessary for the maintenance, preservation or protection of any of the Collateral or the security interests therein and the Purchasers is hereby irrevocably appointed attorney-in-fact of the Debtors for this purpose.

6. Representations and Warranties of the Debtors.

(a) The Debtors jointly and severally represent and warrant to the Purchasers that the Debtors have rights in and good title to the Collateral and each of the Debtors has full power and authority to grant to the Purchasers the lien and security interest in the Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other person other than any consent or approval which has already been obtained.

(b) The Debtors further jointly and severally represent and warrant to the Purchasers that:

(i) Fully executed documents (including, without limitation, Uniform Commercial Code financing statements) containing descriptions of the Collateral will be properly filed, recorded or registered in those governmental, municipal or other offices that



are necessary to establish a valid, legal and perfected first priority security interest in favor of the Purchasers in respect of all the Collateral, and no further or subsequent filing, refileing, recording, rerecording, registration or reregistration will be necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of Uniform Commercial Code continuation statements.

(ii) The security interest created hereby constitutes a valid, legal and perfected first priority security interest in all the Collateral securing payment and performance of the Obligations, subject only to statutory liens and liens for taxes not yet due or payable.

(iii) Each of the Debtors has disclosed in writing to the Purchasers any trade names used to identify it in its business or in the ownership of its properties.

(b) All representations and warranties of the Debtors contained in this Agreement shall survive the execution, delivery and performance of this Agreement until the termination of this Agreement.

(c) The current chief place of business of the Debtors and the place where the Debtors currently keep books and records is 18 East 50th Street, 10th Floor, New York, New York 10022.

#### 7. Remedies Upon an Event of Default.

(a) If any Event of Default shall have occurred and shall be continuing for a period of 120 days after written notice thereof from the Purchasers to the Debtors (except with respect to the occurrence of one or more of the events specified in subparagraphs 3(v), 3(vii) and 3(viii) hereof, in which case no notice or any continuance of an Event of Default for any period of time shall be necessary), the Purchasers shall, subject to the provisions of Section 19 of this Agreement, have all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the State of New York (the "UCC"), or other applicable law, including the power of sale upon notice, and all rights provided herein, all of which rights and remedies shall, to the fullest extent permitted by law, be cumulative.

(b) The Purchasers shall apply the proceeds from the sale or other disposition of the Collateral pursuant to the provisions of this Section 7(b) and any other amounts held by it as Collateral hereunder in the following order:

(i) FIRST, to the payment of its reasonable costs and expenses, if any (including, without limitation, reasonable attorneys' fees and expenses), in preserving their interests in such Collateral or in enforcing any remedies granted in or realizing against the security of, this Agreement or any disbursements by the Purchasers under Section 7 hereof and any other amounts owing to the Purchasers under this Agreement;

(ii) SECOND, to the payment to the Purchasers of accrued and unpaid interest due and payable on the Promissory Notes made by the Debtors (whether at stated maturity, by acceleration or otherwise);

(iii) THIRD, to the payment to the Purchasers of the outstanding principal amount due and payable on the Promissory Notes (whether at stated maturity, by acceleration or otherwise);

(iv) FOURTH, to the payment of any other Obligations of the Debtors due and payable to the Purchasers on the date of such application; and

(v) FIFTH, after the payment in full of all of the obligations (including those not due and payable at the time of the application referred to in clauses (i)-(iv) above), to the payment to the Debtors of any surplus then remaining from such proceeds or otherwise as a court of competent jurisdiction may direct.

(c) The realization, sale or other disposition of all or substantially all of the Collateral by the Purchasers pursuant to this Section 7(c) shall be deemed to fully relieve and discharge each of the Debtors of all of their respective and collective Obligations hereunder and under the Promissory Notes and related Note Purchase Agreement.

8. Possession by the Debtors Until an Event of Default. Until an Event of Default shall occur and be continuing, except as otherwise provided in this Agreement or in the other documents referred to herein, the Debtors will have the right to the possession and enjoyment of the Collateral for the purpose of conducting the ordinary course of its business, subject to and upon the terms hereof.

9. Purchases by the Purchasers. At any sale pursuant to Section 7(c) hereof, the Purchasers or its agents may, to the extent permitted by applicable law, bid for and purchase the Collateral offered for sale, and, upon compliance in full with the terms of such sale, may hold, retain and dispose of such property without further accountability therefor to the Debtors or any other party.

10. Remedies Cumulative. Each right, power and remedy herein specifically granted to the Purchasers or otherwise available to it shall be cumulative, and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or otherwise; and each right, power and remedy, whether specifically granted herein or otherwise existing, may be exercised, at any time and from time to time as often and in such order as may be deemed expedient by the Purchasers in its sole and complete discretion; and the exercise or commencement or exercise of any right, power or remedy shall not be construed as a waiver of the right to exercise, at the same time or thereafter, the same or any other right, power or remedy. No delay or omission by the Purchasers in exercising any such right or power, or in pursuing any such remedy, shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Debtors or an acquiescence therein. No waiver by the Purchasers of any breach or default of or by the Debtors hereunder shall be deemed to be a waiver of any other or similar, previous or subsequent, breach or default.

11. No Impairment. The terms of this Agreement and the obligations of the Debtors arising hereunder shall not be affected, modified or impaired in any manner or to any extent by: (i) the validity or enforceability of any of the other instruments or documents executed by the parties with respect hereto; (ii) any exercise or non-exercise of any right, power or remedy of the Purchasers under any of such instruments or documents referred to in clause

(i) above or arising at law; (iii) any waiver, consent, release, indulgence, extension, renewal, modification, delay or other action, inaction or omission with respect to the Promissory Notes or any of the instruments or documents referred to in clause (i) above; or (iv) any waiver by the Purchasers of any rights under this Agreement, whether or not the Debtors shall have had notice or knowledge of any of the foregoing and whether or not the Debtors shall have consented thereto.

12. Successors and Assigns. This Agreement, and the terms and conditions hereof, shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, provided that the Debtors may not assign any of its rights or obligations hereunder without the prior written consent of the Purchasers.

13. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, provided that as to Collateral located in any jurisdiction other than the State of New York, the Purchasers shall have all the rights to which a secured party under the laws of such jurisdiction is entitled.

14. Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained here shall not in any way be affected or impaired.

15. Term. This Agreement shall continue in full force and effect until either (a) all the Obligations have been fully and indefeasibly paid in full and payment in full thereof has been acknowledged by the Purchasers or (b) the Purchasers realize ownership in and to the Collateral, whereupon this Agreement and the security interest granted hereunder shall terminate.

16. Applicability of Regulatory or Governmental Rules and Regulations. Any provision herein to the contrary notwithstanding, no action shall be taken hereunder by the Purchasers with respect to any item of the Collateral unless and until all material applicable requirements of all federal or state or local laws, or rules and regulations of regulatory or governmental bodies applicable to or having jurisdiction over the Debtors, have been fully satisfied with respect to such action and there have been obtained such consents, approvals and authorizations (if any) as may be required to be obtained from any governmental authority under the terms of any license or similar operating right held by the Debtors and included in the Collateral. It is the intention of the parties hereto that the security interests and liens of the Purchasers in and to the Collateral shall in all relevant aspects be subject to and governed by said statutes, rules and regulations and that nothing in this Agreement shall be construed so as to diminish the control exercised by the Debtors except in accordance with the provisions of such statutory requirements and rules and regulations. Each of the Debtors agrees that, upon request from time to time by the Purchasers, it will use its best efforts to obtain any governmental or regulatory consents, approvals or authorizations referred to in this Section 16.

17. Notices. All notices and other communications provided for herein shall be by telephone or telecopy or in writing and shall be telephoned, telecopied, mailed or delivered to the intended recipients at the telecopier numbers or addresses set forth underneath each party's name on the signature page hereto. Except as otherwise provided in this Agreement, all notices and other communications hereunder shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of mailed

notices, when actually received by the intended recipients, in each case addressed as aforesaid. Telephoned notices shall be promptly confirmed by the sender by letter or telecopy, provided that failure to confirm any such telephoned notice shall not affect its validity.

18. Counterparts. This Agreement may be executed in any number of counterpart copies, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

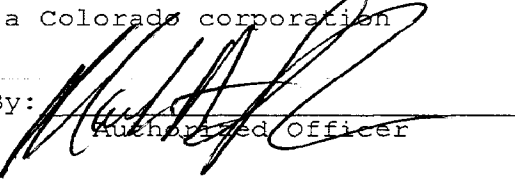
19. Amendments, Waivers, etc. This Agreement may not be amended orally, but may be amended, modified or supplemented only by a written instrument executed by all of the Debtors and the holders of a majority of principal value of the Promissory Notes.

20. Headings. Descriptive headings appearing herein are included solely for convenience of reference and are not intended to affect the meaning or construction of any of the provisions of this Agreement.

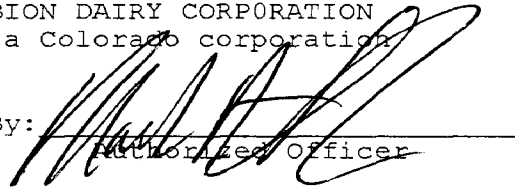
IN WITNESS WHEREOF, the undersigned parties have caused this Agreement to be duly executed as of the date and year first above written.

DEBTORS:

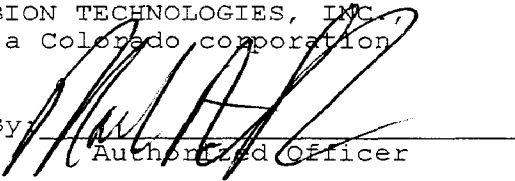
BION ENVIRONMENTAL TECHNOLOGIES, INC.,  
a Colorado corporation

By:   
Authorized Officer

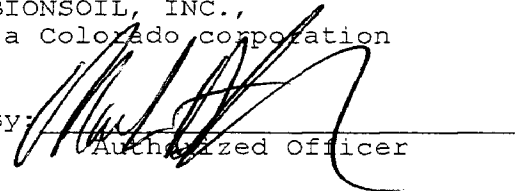
BION DAIRY CORPORATION  
a Colorado corporation

By:   
Authorized Officer

BION TECHNOLOGIES, INC.,  
a Colorado corporation

By:   
Authorized Officer

BIONSOIL, INC.,  
a Colorado corporation

By:   
Authorized Officer

Address for Notices to any of the Debtors:

18 East 50th Street, 10th Floor  
New York, New York 10022

with copies to:

Krys Boyle, P.C.  
Dominion Plaza, Suite 2700  
South Tower  
600 Seventeenth Street  
Denver, Colorado 80202  
Telecopier No.: (303) 893-2882  
Attention: Stanley F. Freedman, Esq.

and

Mark A. Smith, President  
P.O. Box 566  
Crestone, Colorado 81131  
e-fax: 1-425-984-9702

# Exhibit A

## U.S. Patents

US Pat No	date issued	Title
4,721,569	1/26/88	Phosphorus Treatment Process
5,078,882	1/7/92	Bioconversion Reactor and System
5,472,472	12/5/95	Animal Waste Bioconversion System
5,538,529	7/23/96	Bioconverted Nutrient Rich Humus CIP of A3
5,626,644	5/6/97	Storm Water Remediatary Bioconversion System CIP of A3
5,755,852	5/26/98	Bioconverted Nutrient Rich Humus CIP of A4

## U.S. Patent Applications

Serial No.	date filed	Title
09/709,171	11/10/2000	Low Oxygen Organic Waste Bioconversion System

## PCT Applications

Application No.	date filed	Title
PCT/US01/46496	11/08/2001	Low Oxygen Organic Waste Bioconversion System

## Canadian Patents

C1	1,336,623	8/8/95	Aqueous Stream Treatment Process (Canada)
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## License Agreement

License Agreement dated January 31, 2002 between Biobalance A/S and Bion environmental Technologies, Inc. concerning U.S. Patent No. 5,906,746 owned by WTE Wassertechnik GmbH

## General

All of the Debtors trade secrets, proprietary information and know-how.

All other intellectual property of the Debtors that is developed or acquired in the future.