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N-VIRO INTERNATIONAL CORP
Form 10-K
March 31, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(MARK ONE)

☒ X

ANNUAL REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 0-21802

[GRAPHIC OMITTED]

N-VIRO INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 34-1741211
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.
INCORPORATION OR ORGANIZATION)

3450 W. CENTRAL AVENUE, SUITE 328
TOLEDO, OHIO 43606
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (419) 535-6374

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE EXCHANGE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: Common Stock, par
value \$.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as
defined in Rule 405 of the Securities Act. Yes No ☒ X

Indicate by check mark if the registrant is not required to file reports
pursuant to Section 13 or 15(d) of the Exchange Act. Yes No ☒ X

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 at least the past 90 days. Yes ☒ X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K (229.405 of this chapter) is not contained herein, and will
not be contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-K
or any amendment to this Form 10-K. []

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

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reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Accelerated filer
Non-accelerated filer
Smaller reporting company ☒ X

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

Yes No ☒ X

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$9,350,000.

The number of shares of Common Stock of the registrant outstanding as of March 20, 2009 was 4,344,775.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in Part III of this Form 10-K is incorporated by reference from the registrant's Proxy Statement for the 2009 Annual Meeting of Stockholders, which proxy statement will be filed with the Securities and Exchange Commission on or before April 30, 2009.

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PART I

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains statements that are forward-looking. We caution that words used in this document such as "expects," "anticipates," "believes," "may," and "optimistic," as well as similar words and expressions used herein, identify and refer to statements describing events that may or may not occur in the future. These forward-looking statements and the matters to which they refer are subject to considerable uncertainty that may cause actual results to be materially different from those described herein. There are numerous factors that could cause actual results to be different than those anticipated or predicted by us, including: (i) a deterioration in economic conditions in general; (ii) a decrease in demand for our products or services in particular; (iii) our loss of a key employee or employees; (iv) regulatory changes, including changes in environmental regulations, that may have an adverse affect on the demand for our products or services; (v) increases in our operating expenses resulting from increased costs of labor and/or consulting services; (vi) our inability to exploit existing or secure additional sources of revenues or capital to fund operations; (vii) a failure to collect upon or otherwise secure the benefits of existing contractual commitments with third parties, including our customers; and (viii) other factors and risks identified in this Form 10-K, including under the caption "Risk Factors." This list provides examples of factors that could affect the results described by forward-looking statements contained in this Form 10-K; however, this list is not exhaustive and many other factors could impact our business and it is impossible to predict with any accuracy which factors could result in negative impacts. Although we believe that the forward-looking statements contained in this Form 10-K are reasonable, we cannot provide you with any guarantee that the anticipated results will not be adverse and that the anticipated results will be achieved. All forward-looking statements in this Form 10-K are expressly qualified in their entirety by the cautionary statements contained in this section and you are cautioned not to place undue reliance on the forward-looking statements contained in this Form 10-K. In addition to the risks listed above, other risks may arise in the future, and we disclaim any obligation to update information contained in any forward-looking statement.

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ITEM 1. BUSINESS

GENERAL

We were incorporated in Delaware in April, 1993, and became a public company in October 1993. We own and sometimes license various N-Viro Processes, patented technologies to treat and recycle wastewater and other bio-organic wastes, utilizing certain alkaline and mineral by-products produced by the cement, lime, electric utilities and other industries. The N-Viro Process is a patented process for the treatment and recycling of bio-organic wastes, utilizing certain alkaline by-products produced by the cement, lime, electric utilities and other industries. To date, the N-Viro Process has been commercially utilized for the recycling of wastewater sludge from municipal wastewater treatment facilities. N-Viro Soil™, produced according to the N-Viro Process specifications, is an "exceptional quality" sludge product under the 40 CFR Part 503 Sludge Regulations under the Clean Water Act of 1987 (the "Part 503 Regs"). See "The N-Viro Process," below.

Our business strategy is to market our N-Viro Technologies which produces an "exceptional quality" sludge product, as defined in the Part 503 Regs, with multiple commercial uses. In this strategy, the primary focus is to identify allies, public and private, who will allow the opportunity for N-Viro build own and operate N-Viro facilities. Currently the company operates two biosolid process facilities located in Toledo Ohio and Daytona Florida. Our goal is to continue to operate these facilities and aggressively market our N-Viro BioDry and N-Viro Fuel technologies. These patented processes are best suited for current and future demands of both waste treatment as well as domestic and international pressures for clean, renewable alternative fuel sources.

THE N-VIRO PROCESS

The N-Viro Process is a patented process for the treatment and recycling of bio-organic wastes, utilizing certain alkaline by-products produced by the cement, lime, electric utilities and other industries. To date, the N-Viro Process has been commercially utilized for the recycling of wastewater sludge from municipal wastewater treatment facilities. N-Viro Soil™ produced according to the N-Viro Process specifications is an "exceptional quality" sludge product under the Part 503 Regs.

The N-Viro Process involves mixing the wastewater sludge with an alkaline admixture and then subjecting the mixture to a controlled period of storage, mechanical turning and accelerated drying in which a blending of the sludge and the alkaline admixture occurs. The N-Viro Process stabilizes and pasteurizes the wastewater sludge, reduces odors to acceptable levels, neutralizes or immobilizes various toxic components and generates N-Viro Soil™, a product which has a granular appearance similar to soil and has multiple commercial uses. These uses include agricultural lime, soil enrichment, top soil blend, landfill cover and capping, and land reclamation.

The alkaline admixture used in the N-Viro Process consists of by-product dusts from cement or lime kilns, certain fly ashes and other products of coal, coke or petroleum combustion and by-product dusts from sulfuric acid "scrubbers" used in acid rain remediation systems and from fluidized bed coal-fired systems used in electric power generation. The particular admixture that is used usually depends upon cost and availability in local markets. In certain cases, commercial lime may also be added to the admixture.

We are a distributor of alkaline admixture. We also work with established by-product marketers. We generally charge a mark-up over our cost for alkaline admixture sold directly by us.

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N-VIRO SOILTM

N-Viro SoilTM is sold for agricultural use as a bio-organic and mineral fertilizer with agricultural liming and nutrient values, as landfill cover material, as a topsoil blending ingredient and for land reclamation projects. We estimate that approximately twenty percent of the N-Viro SoilTM produced is utilized at landfills for cover material, small amounts are sold for land reclamation and similar projects, and a substantial portion of the remainder is sold for agricultural use or as a topsoil blend. Although the use of N-Viro SoilTM is not subject to any federal regulations or restrictions, each N-Viro facility is typically required to obtain a state and/or local permit for the sale of N-Viro SoilTM. In addition, many states and/or local governments require site-specific permits for the use of sludge products in bulk amounts.

N-VIRO FUELTM

N-Viro FuelTM is a relatively new and patented biomass alternative energy fuel that has physical and chemical characteristics similar to coal and is created from municipal biosolids and other organic wastes like manure and pulp and paper sludge. N-Viro Fuel is manufactured from a variety of organic wastes by blending the waste material with one or more mineral by-products and drying the mixture. The resulting product is blended with coal or petroleum coke and burned as a partial coal substitute in coal-fired power plants. An important advantage of the waste biomass-derived fuel is the ammonia that is released from the waste in the process. This ammonia is available to be used as a substitute for ammonia or urea for NOx removal. We recently announced that N-Viro Fuel has satisfied guidelines set forth by the U.S. Environmental Protection Agency (EPA) to qualify as an alternative energy source that may be utilized in commercial power generation. The N-Viro Fuel technology, utilizing an alkaline/heat process to produce a fuel product, satisfies all requirements of the EPA 40 CFR part 503 regulations and can be blended with coal for energy production or land applied for agricultural use as N-Viro Soil. Our technologies can convert waste products that traditionally are landfilled, into safe, beneficial and renewable long-term energy solutions. Attaining this status means that N-Viro Fuel technology is now eligible to qualify for certain economic incentives that are granted alternative energy technologies, and it is also a catalyst for attaining permits in each state in a more timely manner. We plan to accelerate its development efforts as this designation is an important factor for its potential energy partners.

N-VIRO PROCESS FACILITIES

Our earliest facility is in Toledo, Ohio and has been managed by us through a Contract Management Agreement with the City of Toledo since our inception. Revenue generated from and related to the Toledo operation accounts for about 39% of our total revenue. We process a majority of Toledo's wastewater sludge and sell the resulting N-Viro SoilTM product. In 2004, the City exercised its option to renew the contract for an additional five years through 2009. Currently, the contract is in its twentieth year of operation. We consider our relationship with the City of Toledo to be satisfactory.

In December 2006, we acquired Headwaters Inc.'s ownership interest in Florida N-Viro L.P. (Florida N-Viro), which was the majority owner and operator of a municipal biosolids processing plant located in Volusia County, Florida. The plant had been jointly owned by us and Pennsylvania-based VFL Technology Corporation (VFL) - a subsidiary of Headwaters - since 1995. The plant currently processes regional biosolids for multiple communities and currently maintains contracts with the City of Altamonte Springs, the City of Englewood, Seminole County, the City of Palm Coast, the City of Port Orange, the Tohopekaliga Water Authority and Volusia County. Headwaters Resources, Inc. (HRI), an affiliate of VFL, under a contractual arrangement, is at this time the

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sole source supplier of by-products to Florida N-Viro's operating facility, unless HRI can not supply the full requirements of Florida N-Viro for such by-products.

Including the facilities in Toledo, Ohio and Volusia County, Florida, we estimate there are currently more than 25 wastewater treatment facilities throughout the world treating sludge using the N-Viro Process. We estimate that these facilities are treating and recycling sludge at an annualized rate of over 94,000 dry tons per year. In addition, there are several licensees not currently operating, including both international and domestic contractors or public generators, who are in the process of developing or designing site-specific N-Viro facilities.

We have licensed four treatment facilities to use an earlier sludge treatment process that is designed to produce a sludge product that meets only Class B pathogen levels, and therefore does not produce an "exceptional quality" sludge product under the Part 503 Regs. Royalty payments from sludge processed at the four facilities using such earlier technology currently account for less than two percent of total royalty payments to us and we do not actively market the use of this process.

SALES AND MARKETING OF N-VIRO PROCESS

Currently, the company markets its technology via internal sales efforts. All domestic sales and marketing is controlled by management. The primary focus of our marketing efforts is toward the N-Viro BioDry and N-Viro Fuel technologies. These patented processes are best suited for current and future demands of both waste treatment as well as domestic and international pressures for clean, renewable alternative fuel sources.

In certain countries outside the United States, we license the N-Viro Process through agents. In their respective territories, the Agents market licenses for the N-Viro Process, serve as distributors of alkaline admixture, oversee quality control of the N-Viro Process and N-Viro SoilTM, enforce the terms of the license agreements with licensees and market N-Viro SoilTM (or assist licensees in marketing N-Viro SoilTM). In general, the Agents have paid one-time, up-front fees to us for the rights to market or use the N-Viro Process in their respective territories. Typically, the agreements with the agents provide for us to receive a portion of the up-front license fees, ongoing royalty fees paid by the licensees, a portion of the proceeds from the distribution and resale of alkaline admixture, and the sale of N-Viro SoilTM. Agents have total responsibility and control over the marketing and contracts for N-Viro technology subject only to license models or minimum agreements with us.

The following table sets forth our Agents and the territorial rights of each Agent:

The Agents	

Agent	Territory
-----	-----
Bio-Recycle Pty. Ltd.	Australia, New Zealand and Singapore
CRM Technologies	Israel, Greece and Eastern Europe
EIEC	Spain
Itico	Egypt, North Africa, The Middle East
N-Viro Filipino	Philippines

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South Africa N-Viro

All Africa except North Africa

EARNINGS VARIATION DUE TO BUSINESS CYCLES AND SEASONAL FACTORS. Our operating results can experience quarterly or annual variations due to business cycles, seasonality and other factors. During the last fiscal quarter of 2008, approximately 91% of our revenue was from management operations, 9% from other domestic operations and nothing from foreign operations or research and development grants. Sales of the N-Viro technology are affected by general fluctuations in the business cycles in the United States and worldwide, instability of economic conditions and interest rates, as well as other factors. In addition, operating results of some of our business segments are influenced, along with other factors such as interest rates, by particular business cycles and seasonality. See Notes to the Financial Statements contained in Item 8 hereof.

RISKS OF DOING BUSINESS IN OTHER COUNTRIES. We conduct a very small amount of business in markets outside the United States, and expect to continue to do so. In addition to the risk of currency fluctuations, the risks associated with conducting business outside the United States include: social, political and economic instability; slower payment of invoices; underdeveloped infrastructure; underdeveloped legal systems; and nationalization. We have not entered into any currency swap agreements which may reduce these risks. We may enter into such agreements in the future if it is deemed necessary to do so. We cannot predict the full impact of this economic instability, but it could have a material adverse effect on revenues and profits.

RESEARCH AND DEVELOPMENT

Research and development on the N-Viro Technologies had been, through 2005, performed primarily by BioCheck Laboratories, a former wholly-owned subsidiary of ours, and Dr. Terry J. Logan. Dr. Logan, a long-time director who resigned from our Board of Directors in November 2006, continues to direct our research and patent development work under a consulting agreement that became effective July 1, 2004 and currently runs through June 30, 2009, as extended by a one-year agreement signed in April 2008. Our research and development expenses were under \$10,000 in 2008 and 2007.

We continue to investigate methods to shorten drying time, improve the BioDry™ process, substitute various other materials for use as alkaline admixture and improve the quality and attractiveness of N-Viro Soil™ to a variety of end-users. Several developments are the subject of issued patents, including the use of carbon dioxide in the N-Viro Process as a means to (i) reduce by-product carbon dioxide emissions from industrial processes by immobilizing carbon dioxide in N-Viro Soil™ and (ii) improve the quality and value of N-Viro Soil™. In addition, we have developed a dryer system which reduces processing time while continuing to permit the survival of beneficial microflora. Our BioBlend, which uses N-Viro Soil™ as a reagent to accelerate and deodorize yard waste composting, is being utilized to produce topsoil at the Englewood, Ohio N-Viro facility and at several other licensed facilities.

In early 2007 we performed a full scale test of the N-Viro Fuel™ product at the T.B. Simon Power Facility located on the campus of Michigan State University in conjunction with them. The results of the test has encouraged us to focus primarily on the development of the N-Viro Fuel technology. Our efforts have been focused toward the development of what could be the first N-Viro Fuel facility located on the campus of Michigan State University. Further discussion of our patent development can be found in the section "Patents and Proprietary Rights".

CURRENT DEVELOPMENTS

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We are currently in discussions with several companies in the cement and fuel/power generation industries for the development and commercialization of the patented N-Viro Fuel technology. There can be no assurance that these discussions will be successful. We continue to focus on the development of regional biosolids processing facilities. Currently we are in negotiations with several privatization firms to permit and develop independent, regional facilities.

INDUSTRY OVERVIEW

Disposal. Landfilling, incineration and ocean dumping have traditionally provided inexpensive, reliable methods of sludge disposal. Ocean dumping was banned in the United States in December 1992. Under the Part 503 Regs, landfilling and incineration remain permissible sludge management alternatives but have become subject to more stringent regulatory standards. The vast majority of states have some site restrictions or other management practices governing the disposal of sludge in landfills. Amendments to the Clean Air Act governing incineration and disposal of residual ash also impose stricter air emission standards for incineration in general, and the Part 503 Regs impose additional specific pollutant limits for sludge to be incinerated and for the resulting air emissions.

Surface disposal of sludge involves the placement of sludge on the land at a dedicated site for disposal purposes. The Part 503 Regs subject surface disposal to increased regulation by requiring, among other things, run-off and leachate collection systems, methane monitoring systems and monitoring of, and limits on, pollutant levels. In addition, sludge placed in a surface disposal site is required to meet certain standards with respect to pathogen levels relating to coliform or salmonella bacteria counts ("Class B" pathogen levels), levels of various pollutants, including metals, and elimination of attractiveness to pests, such as insects and rodents.

Land Application for Beneficial Use. Land application for beneficial use involves the application of sludge or sludge-based products, for non-disposal purposes, including agricultural, silvicultural and horticultural uses and for land reclamation. Under the Part 503 Regs, N-Viro Soil is a product that meets certain stringent standards with respect to pathogen levels relating to coliform, salmonella, enteric viruses and viable helminth ova counts ("Class A" pathogen levels), levels of various pollutants, including metals, and elimination of attractiveness to pests, such as insects and rodents, are considered by the EPA to be "exceptional quality" products. The Class A pathogen levels are significantly more stringent than the Class B pathogen levels. Class A N-Viro Soil can be land applied as a fertilizer or lime agent without regulation in most states.

"Exceptional quality" products are treated by the EPA as fertilizer material, thereby exempting these products from federal restrictions on their agricultural use or land application. N-Viro Soil that is produced according to N-Viro Process specifications meets the pollutant concentration limits and other standards set forth in the Part 503 Regs and, therefore, is an "exceptional quality" product that exceeds the EPA's standards for unrestricted agricultural use and land application. Lower quality sludge, including sludge-based products that meet Class B pathogen levels and certain pollutant control and pest attraction requirements, may also be applied to the land for beneficial use but are subject to greater record keeping and reporting requirements and restrictions governing, among other items, the type and location of application, the volume of application and limits on cumulative levels of metals. Sludge applied to the land for agricultural use in all cases must meet Class B pathogen levels and, if applied in bulk, require an EPA permit.

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COMPETITION

We are in direct and indirect competition with other businesses, including disposal and other wastewater sludge treatment businesses, some of which are larger and more firmly established and may have greater marketing and development budgets and capital resources than us. There can be no assurance that we will be able to maintain a competitive position in the sludge treatment industry.

We compete against companies in a highly competitive market and have fewer resources than most of those companies. Our business competes within and outside the United States principally on the basis of pricing, reliability of our services provided, product quality and specifications and technical support. Competitive pressures and other factors could cause us to lose market share or could result in decreases in prices, either of which could have a material adverse effect on our financial position and results of operations.

An EPA survey estimated that sludge generators in the United States utilized landfilling, incineration, surface disposal and ocean dumping as sludge management alternatives for approximately two-thirds of wastewater sludge generated. Although ocean dumping has been banned, other methods of sludge disposal remain permissible sludge management alternatives under the Part 503 Regs, and in many instances will be less expensive than treatment methods, including the N-Viro Process.

Sludge treatment alternatives other than disposal include processes, such as aerobic and anaerobic digestion and lime stabilization, that typically produce lower quality sludge products, and other processes, such as pelletization, composting, high heat lime sterilization and high heat en-vessel lime pasteurization, that produce "exceptional quality" sludge products. Some of these processes have established a significant market presence, and we cannot predict whether any of such competing treatment processes will be more or less successful than the N-Viro Process.

ENVIRONMENTAL REGULATION

Various environmental protection laws have been enacted and amended during recent decades in response to public concern over the environment. Our operations and those of our licensees are subject to these evolving laws and the implementing regulations. The United States environmental laws which we believe are, or may be, applicable to the N-Viro Process and the land application of N-Viro SoilTM include Resource Conservation and Recovery Act, or RCRA, as amended by the Hazardous and Solid Waste Amendments of 1984, or HSWA, the Federal Water Pollution Control Act of 1972, or the Clean Water Act, the Clean Air Act of 1970, as amended, or the Clean Air Act, the Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, the Pollution Prevention Act of 1990 and the Federal Insecticide, Fungicide and Rodenticide Act, or FIFRA. These laws regulate the management and disposal of wastes, control the discharge of pollutants into the air and water, provide for the investigation and remediation of contaminated land and groundwater resources and establish a pollution prevention program. Many of these laws have international counterparts, particularly in Europe and elsewhere in North America. In addition, various states have implemented environmental protection laws that are similar to the applicable federal laws and, in addition, states may require, among other things, permits to construct N-Viro facilities and to sell and/or use N-Viro SoilTM. There can be no assurance that any such permits will be issued.

The Part 503 Regulations. Historically, sludge management has involved either disposal, principally by landfilling, incineration, ocean dumping and surface disposal, or land application for beneficial use. Sewage sludge and the use and disposal thereof is regulated under the Clean Water Act. On February

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19, 1993, the EPA published the Part 503 Regs under the Clean Water Act implementing the EPA's "exceptional quality" program. These regulations establish sludge use and disposal standards applicable to approximately 35,000 publicly and privately owned wastewater treatment plants in the United States, including approximately 13,000 to 15,000 publicly owned treatment works, or POTWs. Under the Part 503 Regs, sludge products that meet certain stringent standards are considered to be "exceptional quality" products and are not subject to any federal restrictions on agricultural use or land application. N-Viro Soil produced according to N-Viro Process specifications is an "exceptional quality" product. Lower quality sludge products are subject to federal restrictions governing, among other items, the type and location of application, the volume of application and the cumulative application levels for certain pollutants. Agricultural application of these lower quality sludges in bulk amounts also requires an EPA permit. Agricultural and land applications of all sludge and sludge products, including N-Viro Soil and other "exceptional quality" products, are typically subject to state and local regulation and, in most cases, require a permit.

In order to ensure compliance with the Part 503 Regs, we review the results of regular testing of sludge required by the EPA to be conducted by wastewater treatment plants, and it tests N-Viro Soil produced at N-Viro facilities on a regular basis. In general, we do not license or permit the ongoing use of the N-Viro Process to treat any sludge that may not be processed into an "exceptional quality" sludge product. In five N-Viro facilities, however, we have permitted the use of the N-Viro Process to produce a product that is not an "exceptional quality" sludge product due to the high pollutant levels of the resulting product. This product is not considered to be N-Viro Soil and is used solely for landfill cover at adjacent landfills. In addition, we have previously licensed for use at five treatment facilities an earlier sludge treatment process that is designed to produce a sludge product that meets only Class B pathogen levels, and therefore does not produce an "exceptional quality" product.

Although N-Viro Soil exceeds the current federal standards imposed by the EPA for unrestricted agricultural use and land application, state and local authorities are authorized under the Clean Water Act to impose more stringent requirements than those promulgated by the EPA. Most states require permits for land application of sludge and sludge based products and several states, such as Rhode Island, Massachusetts and New Jersey, currently have regulations that impose more stringent numerical concentration limits for certain pollutants than the federal rules.

The Resource Conservation and Recovery Act. RCRA regulates all phases of hazardous waste generation, management and disposal. Waste is subject to regulation as a hazardous waste under RCRA if it is a solid waste specifically listed as a hazardous waste by the EPA or exhibits a defined hazardous characteristic. Although domestic sewage and mixtures of domestic sewage and other wastes that pass through a sewer system to a POTW are specifically exempted from the definition of solid waste, once treated by the POTW, the sewage sludge is considered a solid waste. However, such sewage sludge is not considered a hazardous waste unless it exhibits a hazardous characteristic. While it is possible that sewage sludge could exhibit the toxicity characteristic, we believe that regular tests for hazardous constituent levels provide assurance that the sewage sludge used in the N-Viro Process does not exhibit the toxicity characteristic. The alkaline admixtures used in the N-Viro Process are specifically exempted from RCRA regulation by the so-called Bevill Amendments to RCRA. Although the benefit of the exemption provided by the Bevill Amendments can be lost if the alkaline admixture is derived from or mixed with a hazardous waste, we have adopted and implemented policies and operational controls, including review of operating permits held by alkaline admixture suppliers and periodic testing of such admixtures, to ensure that the alkaline admixtures used in the N-Viro Process by us and our licensees are not derived

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from or mixed with hazardous wastes.

Although neither the alkaline admixture nor wastewater sludge used in the N-Viro Process are regulated as hazardous waste under RCRA, states may impose restrictions that are more stringent than federal regulations. Accordingly, the raw materials used in the N-Viro Process may be regulated under some state hazardous waste laws as "special wastes," in which case specific storage and record keeping requirements may apply.

The Clean Air Act. The Clean Air Act empowers the EPA to establish and enforce ambient air quality standards and limits of emissions of pollutants from specific facilities. The Clean Air Act Amendments of 1990, or the Clean Air Act Amendments, impose stringent requirements upon owners and operators of facilities that discharge emissions into the air.

Existing N-Viro facilities generally have installed "baghouse" technology for alkaline admixture storage and handling operations in order to collect airborne dust. At present, we do not believe that any N-Viro facilities will be required to undertake any further measures in order to comply with the Clean Air Act or the existing Clean Air Act Amendments. Ammonia odors of varying strength typically result from sludge treatment processes, including the N-Viro Process. A number of N-Viro facilities have installed ammonia "scrubbers" to reduce ammonia odors produced to varying degrees by the N-Viro Process. The installation of ammonia "scrubbers" is not required by the Clean Air Act or the existing Clean Air Act Amendments. However, we or our licensees may be required under the Occupational Safety and Health Act and state laws regulating nuisances, odors and air toxic emissions to install odor control technology to limit ammonia emissions and odors produced during the N-Viro Process, particularly at N-Viro facilities located near populated residential areas. The amount of ammonia gas produced is dependent upon the type of sludge being treated and the amount and type of alkaline admixture being used.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980. CERCLA imposes strict, joint and several liability upon owners and operators of facilities where a release of hazardous substances has occurred, upon parties who generated hazardous substances into the environment that were released at such facilities and upon parties who arranged for the transportation of hazardous substances to such facilities.

We believe that the N-Viro Process poses little risk of releasing hazardous substances into the environment that presently could result in liability under CERCLA. Although the sewage sludge and alkaline waste products could contain hazardous substances (as defined under CERCLA), we have developed plans to manage the risk of CERCLA liability, including training of operators, regular testing of the sludge and the alkaline admixture to be used in the N-Viro Process and reviewing incineration and other permits held by the entities from whom alkaline admixtures are obtained.

Other Environmental Laws. The Pollution Prevention Act of 1990 establishes pollution prevention as a national objective, naming it a primary goal wherever feasible. The act states that where pollution cannot be prevented, materials should be recycled in an environmentally safe manner. We believe that the N-Viro Process contributes to pollution prevention by providing an alternative to disposal.

The alkaline admixtures used in the N-Viro Process may be required to be registered as pesticides under FIFRA because of their effect on pathogens in sludge. The EPA does not currently regulate commercial lime or any alkaline by-products under FIFRA and has not attempted to assert such jurisdiction to date. In the event the alkaline by-products are required to be registered under FIFRA, we would likely be required to submit certain data as part of the registration process and might be subject to further federal regulation.

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State Regulations. State regulations typically require an N-Viro facility to obtain a permit for the sale of N-Viro Soil for agricultural use, and may require a site-specific permit by the user of N-Viro Soil. In addition, in some jurisdictions, state and/or local authorities have imposed permit requirements for, or have prohibited, the land application or agricultural use of sludge products, including "exceptional quality" sludge products. Certain of our licensees operate in jurisdictions that require permits and have been able to obtain them for the N-Viro product. There can be no assurance that any such permits will be issued or that any further attempts to require permits for, or to prohibit, the land application or agricultural use of sludge products will not be successful.

In addition, many states enforce landfilling restrictions for non-hazardous sludge. These regulations typically require a permit to sell or use sludge products as landfill cover material. There can be no assurance that N-Viro facilities or landfill operators will be able to obtain required permits.

Environmental impact studies may be required in connection with the development of future N-Viro facilities. Such studies are generally time consuming and may create delays in the construction process. In addition, unfavorable conclusions reached in connection with such a study could result in termination of, or expensive alterations to, the N-Viro facility being developed.

The costs of compliance are typically borne by our licensees, except in the case of direct sludge processing into a facility. Normally this cost is not material to us in relation to the total contract revenue.

EMPLOYEES

As of December 31, 2008, we had 32 employees. Six of our employees were engaged in sales and marketing; three were in finance and administration and twenty-three were in operations. We consider our relationship with our employees to be satisfactory.

We are a party to a collective bargaining agreement (the "Labor Agreement") covering four employees of National N-Viro Tech, Inc., our wholly-owned subsidiary. The employees that are covered by the Labor Agreement work at the Toledo, Ohio N-Viro facility, which is operated by us for the City of Toledo on a contract management basis. These employees are members of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers Local Union No. 20, and we consider our relationship with the organization to be satisfactory. In 2005, the Labor Agreement was extended through October 31, 2009.

PATENTS AND PROPRIETARY RIGHTS

We have several patents and licenses relating to the treatment and processing of biosolids. While there is no single patent that is material to our business, we believe that our aggregate patents are important to our prospects for future success. However, we cannot be certain that future patent applications will be issued as patents or that any issued patents will give us a competitive advantage. It is also possible that our patents could be successfully challenged or circumvented by competition or other parties. In addition, we cannot assure that our treatment processes do not infringe patents or other proprietary rights of other parties.

We applied for two patents that were approved in 2004 for the use of mineral by-products to enhance heating, drying and disinfection of organic wastes under non-alkaline conditions. N-Viro is actively marketing its manure treatment technology, primarily to the large dairies and poultry operations, and continues to develop and market the N-Viro Fuel™ technology. The new federal

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energy act may provide incentives for the use of renewable biomass fuels, such as N-Viro Fuel™.

We also hold several patents relating to N-Viro Fuel. In the N-Viro Fuel process, waste products, which can include domestic sewage sludge, manures and other materials, are treated with mineral by-products, dried by a mechanical dryer, and converted into a renewable fuel that can be used as a substitute for coal in coal-fired boilers and kilns.

Some early N-Viro patents were developed jointly with the former Medical College of Ohio, now under the name of the University of Toledo ("UT"). Because of the joint development of early N-Viro patents with the UT, we agreed that the rights of UT to any intellectual property that is being developed, patentable or patented, would generate a royalty payable by us to UT. We also agreed with UT that claims to the traditional N-Viro Soil process was one-quarter of one percent (1/4%) of technical revenues until expiration of those patents. UT rights to BioBlend and certain other N-Viro technologies range from 2% to 4% of technical revenues derived from these newer technologies. Cumulative royalties paid to UT through December 31, 2008 were approximately \$65,000, and no amount was expensed during 2008.

In addition, we make use of our trade secrets or "know-how" developed in the course of our experience in the marketing of our services. To the extent that we rely upon trade secrets, unpatented know-how and the development of improvements in establishing and maintaining a competitive advantage in the market for our services, we can provide no assurances that such proprietary technology will remain a trade secret or that others will not develop substantially equivalent or superior technologies to compete with our services.

SECURITIES AND EXCHANGE COMMISSION

As a public company, we are required to file periodic reports, as well as other information, with the Securities and Exchange Commission (SEC) within established deadlines. Any document we file with the SEC may be viewed or copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Additional information regarding the Public Reference Room can be obtained by calling the SEC at (800) SEC-0330. Our SEC filings are also available to the public through the SEC's web site located at www.sec.gov.

We maintain a corporate Web site at www.nviro.com, on which investors may access free of charge our annual report on Form 10-K, quarterly reports on Form 10-Q and amendments to those reports as soon as is reasonably practicable after furnishing such material with the SEC. In addition, we will voluntarily provide electronic or paper copies of our filings free of charge upon request at (419) 535-6374 or c/o James K. McHugh, Chief Financial Officer at jmchugh@nviro.com.

ITEM 1A. RISK FACTORS

WE HAVE A HISTORY OF LOSSES AND THERE CAN BE NO ASSURANCES REGARDING IF AND WHEN WE WILL ACHIEVE PROFITABILITY. IF WE ARE UNABLE TO ACHIEVE PROFITABLE OPERATIONS, WE MAY NEED TO RAISE ADDITIONAL CAPITAL TO CONTINUE OUR OPERATIONS, WHICH MAY NOT BE AVAILABLE ON COMMERCIALY REASONABLE TERMS OR AT ALL, AND WHICH MAY DILUTE OUR STOCKHOLDERS.

Since 2000, we have experienced net losses and we have not been consistently profitable on an annual basis. For the fiscal years ended December 31, 2008 and December 31, 2007, we incurred net losses of \$1.2 million and \$1.5 million, respectively. We believe our history of net losses is primarily due to our inability to add enough new sources of revenue to replace decreasing business from existing sources of revenue and, more recently, through a shift of our business toward lower margin products and services. Further, through the

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year ended December 31, 2007, we experienced much higher than expected expenditures for stock-related fees and compensation, legal costs surrounding litigation and the direct time of management, staff and our Board relating to this litigation, and increases in our selling, general and administrative expenses in excess of our increases in gross revenues. To achieve profitability, we must accomplish numerous objectives, including growth in our business, the development of new products and commercial relationships, and decreasing our costs. We can not foresee with any certainty whether we will be able to achieve these objectives in the future. Accordingly, we may not generate sufficient net review to achieve profitability.

FAILURE TO MAINTAIN EFFECTIVE INTERNAL CONTROLS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, OPERATING RESULTS AND STOCK PRICE.

We have evaluated and will continue to evaluate our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires an annual management assessment of the design and effectiveness of our internal controls over financial reporting. For the year ended December 31, 2007, we identified a material weakness in our internal controls over financial reporting due to a lack of personnel to sufficiently monitor and process transactions. Due to our continuing lack of financial resources to hire and train accounting and financial personnel, we have not yet remedied this material weakness. While we are not aware of any material errors to date, our inability to maintain the adequate internal controls may result in a material error in our financial statements. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we experience a material error in our financial statements or if we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS MAY REDUCE, DELAY OR PREVENT OUR REALIZATION OF LICENSE REVENUES.

Our licensees and their operations are subject to increasingly strict environmental laws and regulations, including laws and regulations governing the emission, discharge, disposal and transportation of certain substances and related odor. Wastewater treatment plants and other plants at which our biosolids products or processes may be implemented are usually required to have permits, registrations and/or approvals from state and/or local governments for the operation of such facilities. Some of our licensee's facilities require air, wastewater, storm water, biosolids processing, use or siting permits, registrations or approvals. These licensees may not be able to maintain or renew their current permits or registrations or to obtain new permits or registrations. The process of obtaining a required permit or registration can be lengthy and expensive. They may not be able to meet applicable regulatory or permit requirements, and therefore may be subject to related legal or judicial proceedings that could have a materially adverse effect on our income derived from these licensees.

Any of the permits, registrations or approvals noted above, or related applications may be subject to denial, revocation or modification, or challenge by a third party, under various circumstances. In addition, if new environmental legislation or regulations are enacted or existing legislation or regulations are amended or are enforced differently, these licensees may be required to obtain additional, or modify existing, operating permits, registrations or approvals.

Maintaining, modifying or renewing current permits or registrations or obtaining new permits or registrations after new environmental legislation or

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regulations are enacted or existing legislation or regulations are amended or enforced differently may be subject to public opposition or challenge. Much of this public opposition and challenge, as well as related complaints, relates to odor issues, even when our licensees are in compliance with odor requirements and even though the licensees have worked hard to minimize odor from their operations. Public misperceptions about the business and any related odor could influence the governmental process for issuing such permits or registrations or for responding to any such public opposition or challenge. Community groups could pressure local municipalities or state governments to implement laws and regulations which could increase our licensees' costs of their operations that in turn could have a material and adverse effect on our business and financial condition.

OUR ABILITY TO GROW OUR REVENUES AND OPERATIONS MAY BE LIMITED BY COMPETITION.

We provide a variety of technology and services relating to the treatment of wastewater residuals. We are in direct and indirect competition with other businesses that provide some or all of the same services including regional residuals management companies and national and international water and wastewater operations/privatization companies, technology suppliers, municipal solid waste companies and farming operations. Many of these competitors are larger and have significantly greater capital resources.

We derive a substantial portion of our revenue from services provided under municipal contracts, and many of these are subject to competitive bidding. We also intend to bid on additional municipal contracts, however, and may not be the successful bidder. In addition, some of our contracts will expire in the future and those contracts may not be renewed or may be renewed on less attractive terms. If we are not able to replace revenues from contracts lost through competitive bidding or from the renegotiation of existing contracts with other revenues within a reasonable time period, the lost revenue could have a material and adverse effect on our business, financial condition and results of operation.

OUR CUSTOMER CONTRACTS MAY BE TERMINATED PRIOR TO THE EXPIRATION OF THEIR TERM.

A substantial portion of our revenue is derived from services provided under contracts and agreements with existing licensees. Some of these contracts, especially those contracts with large municipalities, provide for termination of the contract by the customer after giving relative short notice (in some cases as little as ten days). In addition, some of these contracts contain liquidated damages clauses, which may or may not be enforceable in the event of early termination of the contracts. If one or more of these contracts are terminated prior to the expiration of its term, and we are not able to replace revenues from the terminated contract or receive liquidated damages pursuant to the terms of the contract, the lost revenue could have a material and adverse effect on our business, financial condition and results of operations.

A SIGNIFICANT AMOUNT OF OUR BUSINESS COMES FROM A LIMITED NUMBER OF CUSTOMERS AND OUR REVENUE AND PROFITS COULD DECREASE SIGNIFICANTLY IF WE LOST ONE OR MORE OF THEM AS CUSTOMERS. FURTHER, THE AGREEMENT WITH OUR MOST SIGNIFICANT CUSTOMER EXPIRES AT THE END OF 2009, AND OUR FAILURE TO RENEW THAT AGREEMENT ON FAVORABLE TERMS WOULD LIKELY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS.

Our business depends on provision of services to a limited number of customers. One or more of these customers may stop contracting for services from us or may substantially reduce the amount of services we provide them. Any cancellation, deferral or significant reduction in the services we provide these principal customers or a significant number of smaller customers could seriously harm our business and financial condition. For the years ended December 31,

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2008 and 2007, our single largest customer accounted for approximately 39% and 38%, respectively, of our revenues and our top three customers accounted for approximately 62% and 54%, respectively, of our revenues. Our agreement with our largest customer - which represented approximately 39% of our revenues in 2008 - is due to expire at the end of 2009. We are attempting to negotiate a renewal of that agreement, but we cannot assure you that we will be able to secure such a renewal at all or on terms that are as favorable as the current agreement. Our failure to renew that agreement on favorable terms would likely have a material adverse effect on our business, financial conditions and results of operations.

THE CURRENT ECONOMIC DOWNTURN MAY CAUSE US TO EXPERIENCE DELAYS OF PAYMENT FROM OUR CUSTOMERS.

Our accounts receivable are derived primarily from municipal or local governments. Although our collection history has been good, from time to time a customer may not pay us on a timely basis because of adverse market conditions. In light of the current economic downturn, we may experience larger than expected delays in receiving payments on our accounts receivable. Given our history of losses and our limited cash resource, any significant payment delay by one of our customers, may force us to delay payment to our creditors, which may have a material and adverse effect on our business, financial condition and results of operations.

WE ARE AFFECTED BY UNUSUALLY ADVERSE WEATHER CONDITIONS.

Our business is adversely affected by unusual weather conditions and unseasonably heavy rainfall which can temporarily reduce the availability of land application sites in close proximity to our operations. In addition, revenues and operational results are adversely affected during months of inclement weather which limits the level of land application that can be performed. Long periods of adverse weather could have a material negative effect on our business and financial condition. For example, our Toledo, Ohio operation is affected by unusually adverse weather conditions by lowering the demand for N-Viro Soil distribution to the local agricultural community.

FUEL COST VARIATION COULD ADVERSELY AFFECT OUR OPERATING RESULTS AND EXPENSES.

The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including demand for oil and gas, actions by OPEC and other oil and gas producers, and war in oil producing countries. Because fuel is needed for the trucks that transport the processing materials and supplies for our customers, price escalations or reductions in the supply of fuel could increase operating expenses and have a negative impact on the results of operations. We are not always able to pass through all or part of the increased fuel costs due to the terms of certain customers' contracts and the inability to negotiate such pass through costs in a timely manner.

WE ARE HIGHLY DEPENDENT ON THE SERVICES OF OUR MANAGEMENT TEAM, THE LOSS OF ANY OF WHOM MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND FINANCIAL CONDITION.

We have entered into employment agreements with our Chief Executive Officer, Timothy Kasmoch, and our V.P. of Development and Chief Counsel, Robert Bohmer, each of which contains non-compete and other provisions. The laws of each state differ concerning the enforceability of non-competition agreements. We cannot predict with certainty whether or not a court will enforce a non-compete covenant in any given situation based on the facts and circumstances at that time. If one of our key executive officers were to leave our employ and the courts refused to enforce the non-compete covenant, we might be subject to increased competition, which could have a material and adverse effect on our business and financial condition.

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OUR INTELLECTUAL PROPERTY MAY BE MISAPPROPRIATED OR SUBJECT TO CLAIMS OF INFRINGEMENT.

We attempt to protect our intellectual property rights through a combination of patent, trademark, and trade secret laws, as well as licensing agreements. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business and financial condition.

Our competitors, many of whom have substantially greater resources and have made substantial investments in competing technologies, may have applied for or obtained, or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to offer services.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. If we are unable to maintain the proprietary nature of our technologies, we could be materially adversely affected.

VOLATILITY IN THE TRADING PRICE OF OUR COMMON STOCK COULD NEGATIVELY IMPACT THE PRICE OF OUR COMMON STOCK, AND MAY ELIMINATE A SOURCE OF OUR POTENTIAL REVENUE FROM EXERCISES OF STOCK OPTIONS AND STOCK PURCHASE WARRANTS.

During the period from January 1, 2007 through March 20, 2009, our common stock closing price fluctuated between a high of \$4.25 and a low of \$1.25. The trading price of our common stock could be subject to wide fluctuations in response to many factors, some of which are beyond our control, including general economic conditions, the thinly-traded nature of our common stock and the outlook of analysts and investors on our industry. Further, significant market fluctuations, such as over the past six months, may adversely affect the trading price of our common stock. Over the past several years, we have relied on, in part, exercises of stock options by current and former officers and directors and stock purchase warrants by investors for operating cash. Wide fluctuations in the price of our common stock or a stock price that is not significantly above the exercise price of outstanding stock options or warrants, would likely reduce future exercises of stock options or warrants, and which would reduce or eliminate a historic source of cash for our operations.

ITEM 2. PROPERTIES

Our executive and administrative offices are located in Toledo, Ohio, under a month to month lease. We believe our relationship with our lessor is satisfactory. Our lease expired on February 28, 2007, and we have not renewed it at this time. We have no minimum rental commitment for the year ending December 31, 2009. The total rental expense for this location included in the statements of operations for each of the years ended December 31, 2008 and 2007 is approximately \$37,500. We also lease various equipment on a month-to-month basis.

On December 28, 2006, we purchased the remaining ownership interest in Florida N-Viro and operate its facility in Volusia County, Florida. We maintain an office in Daytona Beach under a lease with the County of Volusia, Florida renewed in April, 2004 for five years. The total minimum rental commitment for the years ending December 31, 2009 through 2013 is \$48,000 per year, and for 2014 is \$12,000. The total rental expense included in the statements of operations for each of the years ended December 31, 2008 and 2007 is \$48,000.

We also lease processing equipment at the Florida location which began in 2006 under a four year contract. The total minimum rental commitment for the

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years ended December 31, 2009 and 2010 is \$31,000 and \$3,000, respectively.

We also lease other processing equipment at the Florida location which began in February 2008 under a three year lease. The total minimum rental commitment for the following years ended December 31 are as follows: 2009 - \$46,200; 2010 - \$46,200; 2011 - 4,000. We also lease various equipment on a month-to-month basis at our Florida operation.

Management believes that all of our properties are adequately covered by insurance.

ITEM 3. LEGAL PROCEEDINGS.

The Company's facility in Toledo, Ohio, utilizes patented technologies to stabilize and disinfect municipal bio-solids pursuant to a permit to install from the Ohio EPA that requires emissions be vented to a scrubber. In July of 2008, an inspection of the facility by local regulatory officials revealed that the scrubber was not in operation. In February of 2009, the Company agreed to enter into an administrative consent degree with the Ohio Environmental Protection Agency ("Ohio EPA") that resolved, without any admission of fact, violation, or liability, Ohio EPA's claims that the Company operated the scrubber, an air contaminant source, in violation of its permit to install. Pursuant to the terms of the consent degree, the Company agreed to pay a civil penalty in the amount of \$20,000. Payment of the penalty will be made in installments of \$4,000 over a 15-month period.

From time to time we are involved in legal actions arising in the ordinary course of business. With respect to these matters, we believe we have adequate legal defenses and/or provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on our future financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ending December 31, 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Our shares of Common Stock are quoted on the OTC Bulletin Board under the symbol "NVIC.OB". The prices quoted below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. The closing price range per share of the Common Stock since January 1, 2007, was as follows:

Quarter	High	Low
	-----	-----
First 2007	\$3.31	\$2.30
Second 2007	\$3.50	\$2.35

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Third 2007	\$3.10	\$2.45
Fourth 2007	\$3.00	\$2.40
First 2008	\$4.25	\$2.60
Second 2008	\$3.99	\$2.80
Third 2008	\$3.75	\$2.40
Fourth 2008	\$3.50	\$2.50

Our stock price closed at \$2.20 per share on March 20, 2009.

HOLDERS

As of March 20, 2009, the number of holders of record of our Common Stock was approximately 160.

DIVIDENDS

We have never paid dividends with respect to our Common Stock. Payment of dividends is within the discretion of our Board of Directors and would depend, among other factors, on our earnings, capital requirements and our operating and financial condition.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	Number remaini future equit plans (ex reflect
Equity compensation plans approved by security holders	746,025	\$ 2.28	
Equity compensation plans not approved by security holders	258,700	\$ 1.93	
Total	1,004,725	\$ 2.19	