

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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

N-VIRO INTERNATIONAL CORPORATION

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

34-1741211

(IRS Employer Identification No.)

3450 W. Central Avenue, Suite 328

Toledo, Ohio

(Address of principal executive offices)

43606

(Zip Code)

Registrant's telephone number, including area code: (419) 535-6374

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 4, 2009, 5,139,731 shares of N-Viro International Corporation \$.01 par value common stock were outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

N-VIRO INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	<u>Three Months Ended Sept. 30</u>		<u>Nine Months Ended Sept. 30</u>	
	2009	2008	2009	2008
REVENUES	\$ 1,131,916	\$ 1,456,033	\$ 3,874,572	\$ 3,776,623
COST OF REVENUES	<u>958,661</u>	<u>1,255,257</u>	<u>2,972,343</u>	<u>3,222,883</u>
GROSS PROFIT	173,255	200,776	902,229	553,740
OPERATING EXPENSES				
Selling, general and administrative	<u>2,073,773</u>	<u>378,913</u>	<u>2,807,089</u>	<u>1,327,315</u>
OPERATING LOSS	(1,900,518)	(178,137)	(1,904,860)	(773,575)
OTHER INCOME (EXPENSE)				
Interest income	294	739	1,088	2,568
Interest expense	(18,407)	(16,718)	(45,685)	(47,343)
Gain on extinguishment of liabilities	65,258	-	79,739	84,158
	<u>47,145</u>	<u>(15,979)</u>	<u>35,142</u>	<u>39,383</u>
LOSS BEFORE INCOME TAXES	(1,853,373)	(194,116)	(1,869,718)	(734,192)
Federal and state income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (1,853,373)</u>	<u>\$ (194,116)</u>	<u>\$ (1,869,718)</u>	<u>\$ (734,192)</u>
Basic and diluted loss per share	<u>\$ (0.35)</u>	<u>\$ (0.04)</u>	<u>\$ (0.41)</u>	<u>\$ (0.17)</u>
Weighted average common shares outstanding - basic and diluted	<u>5,301,274</u>	<u>4,331,854</u>	<u>4,537,207</u>	<u>4,252,025</u>

See Notes to Consolidated Financial Statements

N-Viro International Corporation
Consolidated Balance Sheets

	Sept. 30, 2009 (Unaudited)	December 31, 2008
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 30,563	\$ 14,869
Restricted	139,899	138,812
Trade receivables, net of allowance for doubtful accounts of \$35,000 at September 30, 2009 and \$50,000 at December 31, 2008	375,954	494,141
Prepaid expenses and other current assets	126,913	64,331
Deferred costs - value of stock on consulting contracts	1,467,708	-
Total current assets	2,141,037	712,153
 PROPERTY AND EQUIPMENT, NET	 1,472,990	 1,781,290
INTANGIBLE ASSETS, NET	153,655	181,832
OTHER ASSETS	63,146	7,496
	\$ 3,830,828	\$ 2,682,771
 <u>LIABILITIES AND STOCKHOLDERS' EARNINGS (DEFICIT)</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 356,202	\$ 360,501
Line of credit	370,000	398,000
Accounts payable	898,658	1,047,364
Accrued liabilities	194,109	193,425
Total current liabilities	1,818,969	1,999,290
 Long-term debt, less current maturities	 569,761	 1,135,364
Long-term debt - convertible debentures, net of discount of \$96,225	418,775	-
Total liabilities	2,807,505	3,134,654
 COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EARNINGS (DEFICIT)		
Common stock, \$.01 par value; authorized 25,000,000 shares; issued 5,252,357 in 2009 and 4,468,025 in 2008	52,524	44,680
Additional paid-in capital	21,159,824	17,822,744
Accumulated deficit	(19,504,135)	(17,634,417)
	1,708,213	233,007
Less treasury stock, at cost, 123,500 shares	684,890	684,890
Total stockholders' earnings (deficit)	1,023,323	(451,883)
	\$ 3,830,828	\$ 2,682,771

See Notes to Consolidated Financial Statements

N-Viro International Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended Sept. 30	
	2009	2008
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 124,676	\$ (229,702)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change to restricted cash and cash equivalents	(1,087)	(2,568)
Increase in investments	-	(125)
Proceeds from the sale of property and equipment	-	293,773
Purchases of property and equipment	(17,360)	(1,013,811)
Net cash used in investing activities	(18,447)	(722,731)
CASH FLOWS FROM FINANCING ACTIVITIES		
Stock warrants exercised	19,589	245,912
Net borrowings (repayments) on line of credit	(28,000)	11,000
Principal payments on long-term obligations	(689,713)	(204,124)
Stock options exercised	20,445	172,892
Proceeds from convertible debentures issued, net of issuance costs	467,333	-
Borrowings under long-term obligations	119,811	801,108
Net cash (used) provided by financing activities	(90,535)	1,026,788
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,694	74,355
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	14,869	62,321
CASH AND CASH EQUIVALENTS - ENDING OF PERIOD	\$ 30,563	\$ 136,676
Supplemental disclosure of cash flows information:		
Cash paid during the nine months ended for interest	\$ 97,226	\$ 88,828

See Notes to Consolidated Financial Statements

N-VIRO INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization and Basis of Presentation

The accompanying consolidated financial statements of N-Viro International Corporation (the “Company”) are unaudited but, in management's opinion, reflect all adjustments (including normal recurring accruals) necessary to present fairly such information for the period and at the dates indicated. The results of operations for the nine months ended September 30, 2009 may not be indicative of the results of operations for the year ending December 31, 2009. Since the accompanying consolidated financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the consolidated financial statements and notes thereto appearing in the Company's Form 10-K for the period ending December 31, 2008.

The financial statements are consolidated as of September 30, 2009, December 31, 2008 and September 30, 2008 for the Company. All intercompany transactions were eliminated.

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. There have been no changes in the selection and application of critical accounting policies and estimates disclosed in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the year ended December 31, 2008.

Note 2. Long-Term Debt and Line of Credit

During the third quarter of 2009, the Company had a line of credit up to \$400,000 at the prime rate (3.25% at September 30, 2009) plus 1.5% and secured by a first lien on all assets of the Company, with Monroe Bank + Trust, or the Bank, with a maturity date of October 15, 2009. Two certificates of deposit totaling \$139,899 from the Bank are held as a condition of maintaining the line of credit. In October, 2009, the line of credit was renewed through October 2010. At September 30, 2009, the Company had \$30,000 of borrowing capacity under the credit facility.

On December 28, 2006, the Company purchased the remaining ownership interest in Florida N-Viro for \$500,000 and financed \$400,000 of it by delivering a note (the “Note”) to the seller, VFL Technology Corporation. The Note was at 8% interest for 10 years, to be paid in annual installments, including interest, of \$59,612, subject to an offset for royalties due the Company under a patent license agreement from the same party. On September 28, 2009, the Company remitted payment in full satisfaction of the Note, as announced in a Form 8-K filing in October, 2009.

On May 18, 2009, the Company’s approved an offering of up to \$1,000,000 of Convertible Debentures (the “Debentures”), convertible at any time into unregistered common stock of the Company at \$2.00 per share. The Debentures mature at June 30, 2011. Between May 26, 2009 and September 30, 2009, as a part of the Company's continuing offering of the Debentures, the Company issued \$515,000 of Debentures to a total of twenty (20) accredited investors. The Debentures are issuable in \$5,000 denominations, are unsecured and have a stated interest rate of 8%, payable quarterly to holders of record. In July and October 2009, the Company timely paid accrued interest to all Debenture holders of record as of the quarter-end dates. At any time, the Company may redeem all or a part of the Debentures at face

value plus unpaid interest. As announced in a Form 8-K filed in October, 2009, the Company extended the offering period to issue any new debentures to November 15, 2009.

Note 3. Commitments and Contingencies

In June 2009, the Company began to maintain an office in West Unity, Ohio under a lease with D&B Colon Leasing, LLC, for one year. The total minimum rental commitment for the years ending December 31, 2009 and 2010 is \$17,500 and \$12,500, respectively. The total rental expense included in the statements of operations for the nine months ended September 30, 2009 and 2008 is \$10,000 and \$0-, respectively.

The Company maintains an office in Daytona Beach under a lease with the County of Volusia, Florida, which was renewed in March, 2009 for five years. The total minimum rental commitment for the years ending December 31, 2009 through 2013 is \$48,000 each year, and for 2014 is \$12,000. The total rental expense included in the statements of operations for the nine months ended September 30, 2009 and 2008 is \$36,000.

The Company leases processing equipment at its Florida location, which began in 2006 under a four year contract. The total minimum rental commitment for the years ended December 31, 2009 and 2010 is \$31,000 and \$3,000, respectively. The total rental expense included in the statements of operations for each of the nine months ended September 30, 2009 and 2008 is approximately \$23,100.

The Company also leases other processing equipment at its 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. The total rental expense included in the statements of operations for the nine months ended September 30, 2009 and 2008 is approximately \$35,000 and \$31,000, respectively.

The Company's facility in Toledo, Ohio, utilizes patented technologies to stabilize and disinfect municipal biosolids pursuant to a permit to install from the Ohio EPA that requires emissions be vented to a scrubber. In July 2008, an inspection of the facility by local regulatory officials revealed that the scrubber was not in operation. In February 2009, the Company agreed to enter into an administrative consent decree 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 decree, the Company agreed to pay a civil penalty in the amount of \$20,000. Payment of the penalty will be made in quarterly installments of \$4,000 over a 15-month period. The first three installments were paid on time in April, July and October 2009.

From time to time the Company is involved in legal proceedings and subject to claims which may arise in the ordinary course of business. The Company is not aware of any legal proceedings or material claims at this time.

Note 4. New Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued its final Statement of Financial Accounting Standards (SFAS) No. 168 – *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162*. SFAS No. 168 made the FASB Accounting Standards Codification (the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access

to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the company beginning July 1, 2009. Following SFAS No. 168, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates. The FASB will not consider Accounting Standards Updates as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification. In the description of Accounting Standards Updates that follows, references in “italics” relate to Codification Topics and Subtopics, and their descriptive titles, as appropriate.

Accounting Standards Updates Not Yet Effective

In June 2009, the FASB amended its guidance on determining whether an entity’s variable interests constitute controlling financial interests in a variable interest entity. Among other things, the updated guidance replaces the calculation for determining which entities, if any, have a controlling financial interest in a variable interest entity (VIE) from a quantitative based risks and rewards calculation, to a qualitative approach that focuses on identifying which entities have the power to direct the activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. The update also requires ongoing assessments as to whether an entity is the primary beneficiary of a VIE (previously, reconsideration was only required upon the occurrence of specific events), modifies the presentation of consolidated VIE assets and liabilities, and requires additional disclosures about a company’s involvement in VIEs. This update will be effective for the company beginning January 1, 2010. Management is currently evaluating the effect that adoption of this update will have, if any, on the company’s financial position and results of operations when it becomes effective in 2010.

In October 2009 the FASB issued an update to its revenue recognition standards that (1) removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, (2) replaces references to “fair value” with “selling price” to distinguish from other fair value measurement guidance, (3) provides a hierarchy that entities must use to estimate the selling price, (4) eliminates the use of the residual method for allocation, and (5) expands the ongoing disclosure requirements. The new standard is effective for the company beginning January 1, 2011 and can be applied prospectively or retrospectively. Management is currently evaluating the effect that adoption of this update will have, if any, on the company’s financial position and results of operations when it becomes effective in 2011.

Other Accounting Standards Updates not effective until after September 30, 2009, are not expected to have a significant effect on the company’s consolidated financial position or results of operations.

Note 5. Segment Information

The Company has determined that its reportable segments are those that are based on the Company’s method of internal reporting, which segregates its business by product category and service lines. The Company’s reportable segments are as follows:

Management Operations – This segment provides employee and management services to operate the Toledo Ohio Wastewater Treatment Facility and the Daytona/Volusia County Florida Treatment Facility.

Other Domestic Operations – Sales of alkaline admixtures, territory or site licenses and royalty fees to use N-Viro technology in the United States.

Foreign Operations – Sales of alkaline admixtures, territory or site licenses and royalty fees to use N-Viro technology in foreign operations.

Research and Development – This segment contracts with federal and state agencies to perform or assist in research and development on the Company's technology.

The accounting policies of the segments are the same as those described in Note 1 to the Company's consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Fixed assets generating specific revenue are identified with their respective segments and are accounted for as such in the internal accounting records. All other assets, including cash and other current assets and all long-term assets, other than fixed assets, are not identified with any segments, but rather the Company's administrative functions. All of the net nonoperating income (expense) are non-apportionable and not allocated to a specific segment. The Company accounts for and analyzes the operating data for its segments generally by geographic location, with the exception of the Management Operations and Research and Development segments.

The Other Domestic and Foreign Operations segments differ in terms of environmental and municipal legal issues, nature of the waste disposal infrastructure, political climate and availability of funds for investing in the Company's technology. These factors have not changed significantly over the past several years and are not expected to change in the near term.

The Research and Development segment is unlike any other revenue segment in that it is generated as a result of a specific project to conduct initial or additional ongoing research into the Company's emerging technologies. The Company has not recorded any revenue from this source since 2006.

For the third quarter of 2009, approximately 95% of the Company's revenue was from Management Operations and 5% from Other Domestic Operations. Since the second quarter of 2006, the percentage of the Company's revenue from Management Operations has grown from 45% to as high as 96%, primarily the result of the acquisition of the Florida operations at the end of 2006. Revenues for the quarter ended September 30, 2009 include revenues from one major customer, the City of Toledo, Ohio, which represented approximately 25% of total consolidated revenue. Of the Company's customers billed through Florida N-Viro, two represent consolidated revenue in excess of 10% and in total, the three represent approximately 60% of the consolidated revenue for the Company.

The table below presents information about the segment profits and segment identifiable assets used by the chief operating decision makers of the Company for the periods ended September 30, 2009 and 2008 (dollars in thousands):

	Management Operations	Domestic Operations	Foreign Operations	Research & Development	Total
Quarter Ended September 30, 2009					
Revenues	1,079	53	-	-	1,132
Cost of revenues	921	38	-	-	959
Segment profits	158	15	-	-	173
Quarter Ended September 30, 2008					
Revenues	1,403	53	-	-	1,456
Cost of revenues	1,201	54	-	-	1,255
Segment profits	202	(1)	-	-	201
Nine Months Ended September 30, 2009					
Revenues	3,682	163	30	-	3,875
Cost of revenues	2,835	138	-	-	2,973
Segment profits	847	25	30	-	902
Nine Months Ended September 30, 2008					
Revenues	3,513	264	-	-	3,777
Cost of revenues	2,974	249	-	-	3,223
Segment profits	539	15	-	-	554

A reconciliation of total segment profits to Consolidated income (loss) before taxes for the periods ended September 30, 2009 and 2008 is as follows (dollars in thousands):

	Qtr. Ended Sept. 30		Nine Months Ended Sept. 30	
	2009	2008	2009	2008
Segment profits:				
Segment profits for reportable segments	\$ 173	\$ 201	\$ 902	\$ 554
Corporate selling, general and administrative expenses	(2,073)	(379)	(2,807)	(1,327)
Other income (expense)	47	(16)	35	39
Consolidated loss before taxes	<u>\$ (1,853)</u>	<u>\$ (194)</u>	<u>\$ (1,870)</u>	<u>\$ (734)</u>

Note 6. — Basic and diluted income (loss) per share

Basic and diluted loss per share is computed using the treasury stock method for outstanding stock options and warrants and the if-converted method for convertible debt. For both the quarter and nine months ended September 30, 2009 and 2008, the Company incurred a net loss. Accordingly, no common stock equivalents for outstanding stock options, warrants and convertible debt have been included in the computation of diluted loss per share for these periods, as the impact would be anti-dilutive.

Note 7. — Common Stock

On July 23, 2009, the Company executed a Consulting Agreement, or the Agreement, effective July 14, 2009, with Investor Relations Services, Inc. of New Smyrna Beach, FL, or IRSI. The Company has appointed IRSI as its non-exclusive stock promotion and strategic communications counsel for a term of one year from the date of the Agreement. For its services, the Company issued IRSI 500,000 shares of the Company's unregistered common stock. The shares were issued in a private transaction pursuant to an exemption under Section 4(2) of the Securities Act of 1933. Pursuant to the Agreement, the Company entered into a Designation and Appointment agreement with Summit Trading Limited of New Smyrna Beach, FL, to designate Summit Trading as the third party appointee to be paid the shares of stock under the Consulting Agreement with IRSI. The Company accounted for this transaction by recording a deferred current asset of \$1,212,500 that is amortized ratably over the 12 month period the services are to be rendered. \$675,000 of this cost associated with the 250,000 shares that are not vested, is variable and could change according to price fluctuations in the Company's common stock at the end of each reportable period the Agreement is outstanding. The cost amortized for the quarter ended September 30, 2009 was \$253,000. The amount deferred at September 30, 2009 was \$959,500.

On July 23, 2009, the Company executed a Finder's Fee and Non-Circumvention Agreement with Summit Trading to locate possible merger and acquisition candidates as well as sources of financing for the Company for a period of one year, effective July 20, 2009. For its services, the Company issued Summit Trading 250,000 shares of the Company's unregistered common stock. The shares were issued in a private transaction pursuant to an exemption under Section 4(2) of the Securities Act of 1933. The Company accounted for this transaction by recording a deferred current asset of \$625,000 that is amortized ratably over the 12 month period the services are to be rendered. The cost amortized for the quarter ended September 30, 2009 was \$117,200. The amount deferred at September 30, 2009 was \$507,800.

Note 8. — Subsequent Events

The Company has performed a review of events subsequent to the balance sheet date through November 16, 2009 and no matters required disclosure.

Note 9. — Fair Value of Financial Instruments

As of September 30, 2009, the Company's financial instruments consist of accounts receivable, accounts payable, long-term debt and convertible debentures. The carrying values of accounts receivable and accounts payable approximate their fair values due to their short maturity periods. The carrying value of the Company's long-term debt and convertible debentures approximate their fair values based on current market rates available to the Company.

Note 10. — Stock Options

During the quarter ended September 30, 2009, the Company granted stock options totaling 610,250 shares: 56,250 options to directors and 554,000 options to officers. The options granted to the directors vested over a 6-month period and were priced, pursuant to the Amended and Restated 2004 Stock Options Plan, at a weighted average price of \$2.08 for a total expense of \$116,800. The options granted to the officers vested immediately and were priced, pursuant to the Amended and Restated 2004 Stock Options Plan, at a weighted average price of \$2.11 for a total expense of \$1,168,800.

Item 2. Management's Discussion and Analysis or Plan of Operation

Forward-Looking Statements

This 10-Q 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 differ materially from the results described in those statements. 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 fuel, 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-Q, or, as filed in Form 10-K for the year ending December 31, 2008 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-Q; 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-Q 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-Q 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-Q. 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.

Overview

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 and 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. 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").

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 to build, own and operate N-Viro facilities. Currently the company operates two biosolids 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.

Results of Operations

The dollar amounts in the following sections are stated as approximations, rounded to the nearest \$1,000.

Total revenues were \$1,132,000 for the quarter ended September 30, 2009 compared to \$1,456,000 for the same period of 2008. The net decrease in revenue is due primarily to a decrease in both product and facility management revenue. Our cost of revenues decreased to \$959,000 in 2009 from \$1,255,000 for the same period in 2008, but the gross profit margin increased to 15% for the quarter ended September 30, 2009, from 14% for the same period in 2008. This increase in gross profit margin is due primarily to the increase in the overall percentage of revenue derived from facility management fees, and secondarily the decrease in the overall percentage of revenue derived from product (N-Viro Soil™) sales, which decreased in the third quarter of 2009 compared to a year earlier and which provide lower margins than our facility management fees. Operating expenses increased substantially for the quarter ended September 30, 2009 over the comparative prior year period, and was the single biggest factor for the increased loss for 2009 compared to 2008. These changes collectively resulted in a net loss of \$1,853,000 for the quarter ended September 30, 2009 compared to a net loss of \$194,000 for the same period in 2008, an increase in the loss of \$1,659,000.

Comparison of Three Months Ended September 30, 2009 with Three Months Ended September 30, 2008

Our overall revenue decreased \$324,000, or 22%, to \$1,132,000 for the quarter ended September 30, 2009 from \$1,456,000 for the quarter ended September 30, 2008. The net decrease in revenue was due primarily to the following:

a) Sales of alkaline admixture decreased \$7,000 from the same period ended in 2008 – this decrease was primarily the result of a decrease in demand with our Ohio-area customers;

b) Revenue from the service fees for the management of alkaline admixture decreased \$34,000 from the same period ended in 2008 – this decrease was attributed primarily to the Ohio-area customers, which decreased \$32,000 compared to the same period in 2008; and

c) Our processing revenue, including facility management revenue, showed a net decrease of \$283,000 over the same period ended in 2008. Of this decrease, facility management revenue of \$125,000 is attributed to the Florida facility and \$13,000 to the Toledo facility, and, N-Viro Soil sales decreased by a total of \$145,000, which is all attributable to the Toledo facility.

Our gross profit decreased \$28,000, or 14%, to \$173,000 for the quarter ended September 30, 2009 from \$201,000 for the quarter ended September 30, 2008, and the gross profit margin increased to 15% from 14% for the same periods. The increase in gross profit margin is primarily due to the increase in the overall percentage of revenue derived from facility management fees, and secondarily the decrease in the overall percentage of revenue derived from product (N-Viro Soil™) sales, which decreased in the third quarter of 2009 compared to a year earlier. The Toledo operation contributed \$127,000 of gross profit on overall revenue of \$365,000, which was a decrease of \$37,000 of gross profit over the same period in 2008. The Florida operation contributed \$30,000 of gross profit on overall revenue of \$714,000, which was a decrease of \$8,000 of gross profit over the same period in 2008.

Our operating expenses increased \$1,695,000, or 447%, to \$2,074,000 for the quarter ended September 30, 2009 from \$379,000 for the quarter ended September 30, 2008. The increase was primarily due to increases of \$1,130,000 in payroll and related costs, \$337,000 in consulting fees and expenses, \$111,000 in director fees and expenses, \$27,000 in amortization cost, \$19,000 in travel and office expenses, \$18,000 in stockholder relations expense and \$20,000 in professional fees. Of the total increase of \$1,578,000 in payroll, consulting and director costs, \$1,530,000 were non-cash costs relating to the issuances of stock and stock options. Actual cash outlays in these categories increased for the third quarter 2009 by a total of \$48,000 over the same period in 2008.

As a result of the foregoing factors, we recorded an operating loss of \$1,900,000 for the quarter ended September 30, 2009 compared to an operating loss of \$178,000 for the quarter ended September 30, 2008, an increase in the loss of \$1,722,000.

Our net nonoperating income (expense) increased by \$63,000 to net nonoperating income of \$47,000 for the quarter ended September 30, 2009 from net nonoperating expense of \$16,000 for the quarter ended September 30, 2008. The increase in net nonoperating income was primarily due to the reversal of \$65,000 of certain payables no longer due during the quarter in 2009.

We recorded net loss of \$1,853,000 for the quarter ended September 30, 2009 compared to a net loss of \$194,000 for the same period ended in 2008, an increase in the loss of \$1,659,000. Adding back non-cash expenses for depreciation, amortization, stock and stock options charges and subtracting cash out on capitalized assets and debt repayments, resulted in a cash operating loss of \$198,000 for the quarter ended in 2009. Similar non-cash expenses, cash out and debt repayments for the same period in 2008 resulted in a cash operating loss of \$115,000, a decrease in cash operating income of \$83,000 in the third quarter 2009 versus 2008.

For the quarters ended September 30, 2009 and 2008, we have not recognized the future tax benefit of current or prior period losses due to the Company's historical operating losses. Accordingly, our effective tax rate for each period was zero.

Comparison of Nine Months ended September 30, 2009 with Nine Months ended September 30, 2008

Our overall revenue increased \$98,000, or 3%, to \$3,875,000 for the nine months ended September 30, 2009 from \$3,777,000 for the nine months ended September 30, 2008. The net increase in revenue was due primarily to the following:

a) Sales of alkaline admixture decreased \$71,000 from the same period ended in 2008 – this decrease was primarily the result of the loss of revenue of various customers in the Ohio area;

b) Revenue from the service fees for the management of alkaline admixture decreased \$11,000 from the same period ended in 2008 – this decrease was attributed to the Ohio-area customers, which decreased \$86,000 compared to the same period in 2008, offset by an increase of \$75,000 from our Florida customers;

c) Our processing revenue, including facility management revenue, showed a net increase of \$149,000 over the same period ended in 2008. Of this increase, facility management revenue of \$217,000 was contributed by the Florida operation and \$7,000 from the Toledo facility, offset by a decrease in N-Viro Soil sales by a combined total of \$72,000, primarily attributable to the Toledo facility.

d) Our license fee revenue showed a net increase of \$30,000 over the same period ended in 2008, due to the receipt of contracted progress installment payments from our Israeli licensee.

Our gross profit increased \$348,000, or 63%, to \$902,000 for the nine months ended September 30, 2009 from \$554,000 for the nine months ended September 30, 2008, and the gross profit margin increased to 23% from 15% for the same periods. The increase in gross profit margin is primarily due to the increase in the overall percentage of revenue derived from facility management fees. The Toledo operation contributed \$458,000 of gross profit on overall revenue of \$1,292,000, which was an increase of \$34,000 of gross profit over the same period in 2008. The Florida operation contributed \$388,000 of gross profit on overall revenue of \$2,389,000, which was an increase of \$272,000 of gross profit over the same period in 2008.

Our operating expenses increased \$1,480,000, or 111%, to \$2,807,000 for the nine months ended September 30, 2009 from \$1,327,000 for the nine months ended September 30, 2008. The increase was primarily due to increases of \$1,111,000 in payroll and related costs, \$206,000 in consulting fees and expenses, \$58,000 in director fees and expenses, \$29,000 in travel and office expenses, \$23,000 in amortization cost and \$10,000 in an increase to the allowance for bad debts. Of the total increase of \$1,375,000 in payroll, consulting and director costs, \$1,322,000 were non-cash costs relating to the issuances of stock and stock options. Actual cash outlays in these categories increased for the nine months ended in 2009 by a total of \$53,000 over the same period in 2008.

As a result of the foregoing factors, we recorded an operating loss of \$1,905,000 for the nine months ended September 30, 2009 compared to an operating loss of \$773,000 for the nine months ended September 30, 2008, an increase in the operating loss of \$1,131,000.

Our net nonoperating income (expense) decreased by \$4,000 to net nonoperating income of \$35,000 for the nine months ended September 30, 2009 from net nonoperating income of \$39,000 for the nine months ended September 30, 2008. The decrease in net nonoperating income was primarily due to the reversal of \$80,000 of certain payables no longer due during the quarter in 2009, compared to a gain on the extinguishment of a liability of \$84,000 recorded in 2008, resulting in a net decrease in the gain of \$4,000.

We recorded a net loss of \$1,870,000 for the nine months ended September 30, 2009 compared to a net loss of \$734,000 for the same period ended in 2008, an increase in the loss of \$1,136,000. Adding back non-cash expenses for depreciation, amortization, stock and stock options charges and subtracting cash out on capitalized assets and debt repayments, resulted in a cash operating loss of \$145,000 for the nine months ended in 2009. Similar non-cash expenses, cash out and debt repayments for the same period in 2008 resulted in a cash operating loss of \$332,000, a decrease in cash operating loss of \$187,000 in the nine months ended September 30, 2009 versus 2008.

For the nine month periods ended September 30, 2009 and 2008, we have not recognized the future tax benefit of current or prior period losses due to the Company's historical operating losses. Accordingly, our effective tax rate for each period was zero.

Liquidity and Capital Resources

We had working capital of \$322,000 at September 30, 2009, compared to a working capital deficit of \$1,287,000 at December 31, 2008, resulting in an increase in working capital of \$1,609,000. Current assets at September 30, 2009 included cash and cash equivalents of \$170,000 (including restricted cash of \$140,000), which is an increase of \$17,000 from December 31, 2008. The net positive change in working capital from December 31, 2008 was primarily from an increase to the deferred current asset of \$1,468,000 for common stock given pursuant to consulting contracts entered into during the quarter, an increase in cash provided by operating activities of \$125,000 for the nine months ended September 30, 2009, further increased by the application of \$467,000 of cash from debentures (net of issuance costs), offset negatively by an increase in payments over advances from short and long-term debt obligations of \$575,000.

In the nine months ended September 30, 2009 our cash flow provided by operating activities was \$125,000, an increase of \$354,000 over the same period in 2008. The components of the increase in cash flow provided by operating activities from 2008 was principally due to a \$1,322,000 increase in stock warrants and stock options issued for fees and services., a decrease of \$254,000 in trade accounts receivable and an increase in other non-cash items of \$52,000, offset by a decrease of \$137,000 in trade accounts payable, increase of \$40,000 in prepaid and other assets and, an increase in the net loss of \$1,097,000.

We have modified our business model and have been evolving away from sales of alkaline

admixture and royalty-based revenue agreements that typically generate a higher gross profit margin, to long-term and sustainable revenue based on integrated N-Viro technology and operations, but typically generating a lower gross profit margin. From 2006 to the third quarter of 2009, the percentage of combined revenues generated from our owned and operated facilities in Toledo and Volusia County was: 2006 – 46%; 2007 – 77%; 2008 – 94%; through third quarter 2009 – 95%. We believe this shift will allow us to enhance future revenue and profits through growth, efficiency and revenue optimization.

The normal collection period for accounts receivable is approximately 30-60 days for the majority of customers. This is a result of the nature of the license contracts, type of customer and the amount of time required to obtain the information to prepare the billing. For 2008 and continuing into 2009, our customers slowed the overall payment rate on our outstanding receivables, which in turn contributed to us extending payment times to our vendors on our payables. We make no assurances that payments from our customer or payments to our vendors will become shorter and this may have an adverse impact on our continuing operations.

During the third quarter of 2009, we had a line of credit up to \$400,000 at the prime rate (3.25% at September 30, 2009) plus 1.5% and secured by a first lien on all of our assets, with Monroe Bank + Trust, or the Bank, with a maturity date of October 15, 2009. Two certificates of deposit totaling \$139,899 from the Bank are held as a condition of maintaining the line of credit. In October, 2009, the line of credit was renewed through October 2010. At September 30, 2009, we had \$30,000 of borrowing capacity under the credit facility.

On December 28, 2006, we purchased the remaining ownership interest in Florida N-Viro for \$500,000 and financed \$400,000 of it by delivering a note (the “Note”) to the seller, VFL Technology Corporation. The Note was at 8% interest for 10 years, to be paid in annual installments, including interest, of \$59,612, subject to an offset for royalties due us under a patent license agreement from the same party. On September 28, 2009, we remitted payment in full satisfaction of the Note, as announced in a Form 8-K filing in October, 2009.

On May 18, 2009, we approved an offering of up to \$1,000,000 of Convertible Debentures (the “Debentures”), convertible at any time into our unregistered common stock at \$2.00 per share. The Debentures mature at June 30, 2011. Between May 26, 2009 and September 30, 2009, as a part of our continuing offering of the Debentures, we issued \$515,000 of Debentures to a total of twenty (20) accredited investors. The Debentures are issuable in \$5,000 denominations, are unsecured and have a stated interest rate of 8%, payable quarterly to holders of record. In July and October, 2009, we timely paid accrued interest to all Debenture holders of record as of the quarter-end dates. At any time we may redeem all or a part of the Debentures at face value plus unpaid interest. As announced in a Form 8-K filed in October, 2009, we extended the offering period to issue any new debentures to November 15, 2009.

For the remainder of 2009 and into 2010, we expect to improve operating results and have adequate cash or access to cash to adequately fund operations by focusing on existing and expected new sources of revenue, especially from our N-Viro Fuel technology, and cash generated from equity issuances and exercises of outstanding warrants and options. We expect that market developments favoring cleaner burning renewable energy sources and ongoing discussions with companies in the fuel and wastewater industries could provide enhanced liquidity and have a positive impact on future operations. We continue to pursue opportunities with strategic partners for the development and commercialization of the patented N-Viro Fuel technology. In addition, we are focusing on the development of regional biosolids processing facilities, and are currently in negotiations with potential partners to permit and develop independent, regional facilities.

There can be no assurance these discussions will be successful or result in new revenue or cash funding sources for the company. Our failure to achieve improvements in operating results, including

through these potential sources of revenue, or in our ability to adequately finance or secure additional sources of funds would likely have a material adverse effect on our continuing operations.

Off-Balance Sheet Arrangements

At September 30, 2009, we did not have any material commercial commitments, including guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

From time to time, during the normal course of business, we may make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These include: (i) indemnities to vendors and service providers pertaining to claims based on our negligence or willful misconduct and (ii) indemnities involving the accuracy of representations and warranties in certain contracts. Pursuant to Delaware law, we may indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. We also have director and officer insurance coverage that limits our exposure and enables us to recover a portion of any future amounts that we may pay for indemnification purposes. We believe the applicable insurance coverage is generally adequate to cover any estimated potential liability for which we may provide indemnification. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments we could be obligated to make. We have not recorded any liability for these indemnities, commitments and other guarantees in the accompanying Consolidated Balance Sheets.

Contractual Obligations

The following table summarizes our contractual cash obligations at September 30, 2009, and the effect these obligations are expected to have on liquidity and cash flow in future periods:

	Note #	Total	Payments Due By Period			
			Less than 1 year	2 - 4 years	5 - 6 years	after 6 years
Purchase obligations	(1)	54,600	54,600	-	-	-
Long-term debt obligations and related interest	(2)	1,551,936	416,205	1,134,884	847	-
Operating leases	(3)	324,610	132,590	168,020	24,000	-
Capital lease obligations		-	-	-	-	-
Line of Credit obligation		370,000	370,000	-	-	-
Other long-term debt obligations		-	-	-	-	-
Total contractual cash obligations		\$ 2,301,146	\$ 973,395	\$ 1,302,904	\$ 24,847	\$ -

- (1) Purchase obligations include agreements to purchase services that are enforceable and legally binding on the Company and that specify all significant terms and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.
- (2) Amounts represent the expected cash payments of our long-term obligations.
- (3) Amounts represent the expected cash payments of our operating lease obligations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control Over Financial Reporting

As stated in our Form 10-K for the year ended December 31, 2008, we reported that, based on the assessment of our principal executive officer and principal financial officer, our internal controls over financial reporting were not effective as of December 31, 2008, and we identified a material weakness.

We continue to develop and implement a remediation plan to address the material weakness. To date, our remediation efforts have included adoption of an expense reimbursement policy and the hiring of an employee to assist in the financial area of our business. However, due to our continuing lack of financial resources to hire and train accounting and financial personnel, we have not yet fully remedied this material weakness.

Other than the remedial measures described above, there were no other changes in our internal control over financial reporting that have materially affected, or are likely to materially affect our internal control over financial reporting during the quarter ended September 30, 2009.

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. Further, because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal proceedings

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 23, 2009, the Company executed a Consulting Agreement, or the Agreement, effective July 14, 2009, with Investor Relations Services, Inc. of New Smyrna Beach, FL., or IRSI. The Company has appointed IRSI as its non-exclusive stock promotion and strategic communications adviser for a term of one year from the date of the Agreement. For its services, the Company issued IRSI 500,000 shares of the Company's unregistered common stock. The shares were issued in a private transaction pursuant to an exemption under Section 4(2) of the Securities Act of 1933. Pursuant to the Agreement, the Company entered into a Designation and Appointment agreement with Summit Trading Limited of New Smyrna Beach, FL., to designate Summit Trading as the third party appointee to be paid the shares of stock under the Consulting Agreement with IRSI.

On July 23, 2009, the Company executed a Finder's Fee and Non-Circumvention Agreement with Summit Trading to locate possible merger and acquisition candidates as well as sources of financing for the Company for a period of one year, effective July 20, 2009. For its services, the Company issued Summit Trading 250,000 shares of the Company's unregistered common stock. The shares were issued in a private transaction pursuant to an exemption under Section 4(2) of the Securities Act of 1933.

In addition to the preceding, in the third quarter of 2009 we issued a total of 13,500 shares of unregistered stock to four individuals. A board member, Joseph Scheib, was issued 7,000 shares pursuant to partial exercises of a warrant in September 2009 realizing total gross cash proceeds of \$14,000. These proceeds were used for operating expenses. And, two stockholders were issued a total of 6,250 shares pursuant to their finder's fee agreements for a total of \$125,000 of debentures sold. We also issued 250 shares to David Mercer, one of our employees, pursuant to his employment arrangement.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

This item is incorporated by reference to Items 7.01 and 8.01 as filed in Form 8-K on August 11, 2009, dated August 5, 2009.

Item 5. Other Information

- (a) None
- (b) None

Item 6. Exhibits

Exhibits:
See Exhibit Index below.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

N-VIRO INTERNATIONAL CORPORATION

Date: November 16, 2009

/s/ Timothy R. Kasmoch
Timothy R. Kasmoch
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 16, 2009

/s/ James K. McHugh
James K. McHugh
Chief Financial Officer, Secretary and Treasurer
(Principal Financial & Accounting Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Document</u>
31.1	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
31.2	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.

CERTIFICATION

I, Timothy R. Kasmoch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of N-Viro International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 16, 2009

/s/ Timothy R. Kasmoch
Timothy R. Kasmoch
President and Chief Executive Officer

CERTIFICATION

I, James K. McHugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of N-Viro International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 16, 2009

/s/ James K. McHugh
James K. McHugh
Chief Financial Officer

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of N-Viro International Corporation (the “Company”) on Form 10-Q for the period ending September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Timothy R. Kasmoch, Chief Executive Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy R. Kasmoch
Timothy R. Kasmoch, President and Chief Executive Officer
November 16, 2009

Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of N-Viro International Corporation (the “Company”) on Form 10-Q for the period ending September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James K. McHugh, Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James K. McHugh
James K. McHugh, Chief Financial Officer
November 16, 2009