

ITRONICS INC  
Form 424B3  
June 26, 2007

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-138911

**ITRONICS INC.**

**75,000,000 SHARES OF**

**COMMON STOCK**

This prospectus relates to the resale by the selling stockholders of up to 75,000,000 shares of our common stock, par value \$.001 per share, issuable upon conversion of secured convertible notes acquired by the selling stockholders in our July 15, 2005, our July 31, 2006, our November 3, 2006, our January 11, 2007, and our March 7, 2007 private offerings. The secured convertible notes are convertible into our common stock at the lower of \$0.10 or at a discount of 45% to the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date. The selling stockholders may sell common stock from time to time in the principal market on which the stock is traded at the prevailing market price or in negotiated transactions. The selling stockholders may be deemed to be underwriters of the shares of common stock, which they are offering. We will pay the expenses of registering these shares.

Our common stock is registered under Section 15(d) of the Securities Exchange Act of 1934 and is listed on the Over-The-Counter Bulletin Board under the symbol "ITRO". The last reported sales price per share of our common stock as reported by the Over-The-Counter Bulletin Board on June 25, 2007, was \$0.0151.

**Investing in these securities involves significant risks. See "Risk Factors" beginning on page 7.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 26, 2007.

The information in this Prospectus is not complete and may be changed. This Prospectus is included in the Registration Statement that was filed by Itronics Inc. with the Securities and Exchange Commission. The selling stockholders may not sell these securities until the registration statement becomes effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the sale is not permitted.

## FORWARD-LOOKING STATEMENTS

*Various statements contained in this prospectus or incorporated by reference into this prospectus constitute "forward-looking statements". Forward-looking statements are based on current expectations and are indicated by words or phrases such as "believe," "expect," "may," "will," "should," "seek," "plan," "intend" or "anticipate" or the use of comparable terminology, or by discussion of strategy. Forward-looking statements represent as of the date of this prospectus our judgment relating to, among other things, future results of operations, growth plans, sales, capital requirements and general industry and business conditions applicable to us. Such forward-looking statements are based largely on our current expectations and are inherently subject to risks and uncertainties. Our actual results could differ materially from those that are anticipated or projected as a result of certain risks and uncertainties, including, but not limited to, a number of factors, such as:*

- the effect of our indebtedness on our financial condition and financial flexibility, including, but not limited to, the ability to obtain necessary financing for our business;
- economic and market conditions;
- the performance of our targeted markets;
- changes in business relationships with our major customers;
- competitive product and pricing pressures; and
- the other risks and uncertainties that are described under "Risk Factors" and elsewhere in this prospectus and from time to time in our filings with the SEC.

Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the SEC pursuant to the SEC's rules, we have no duty to update these statements, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward-looking information contained in this will in fact transpire.

## PROSPECTUS SUMMARY

*The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the "risk factors" section, the financial statements and the notes to the financial statements.*

*In this prospectus, "we", "us" and "our", refer to Itronics Inc., unless the context otherwise requires. Unless otherwise indicated, the term "year," "fiscal year" or "fiscal" refers to our fiscal year ending December 31st.*

## ITRONICS INC.

We are the inventor and developer of the "Beneficial Use Photochemical, Silver, and Water Recycling" technology that produces environmentally beneficial GOLD'n GRO fertilizers and silver bullion.

We are a process technology company that has developed what we believe is a unique technology for photochemical recycling. We, through our subsidiary, Itronics Metallurgical, Inc., are able to extract more than 99% of the silver and

virtually all of the other toxic heavy metals from used photoliquids. We then use this “Beneficial Use Photochemical, Silver and Water Recycling” technology to produce environmentally beneficial chelated multinutrient liquid fertilizer products sold under the trademark GOLD’n GRO, animal repellent/fertilizer products to be sold under the trademark GOLD’n GRO Guardian, and silver bullion. We also provide project planning and implementation services to the mining industry.

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For the years ended December 31, 2006 and 2005, we generated net revenues in the amount of \$1,884,412 and \$1,360,987 and net losses of \$3,809,885 and \$4,906,612, respectively. For the three months ended March 31, 2007, we generated net revenues in the amount of \$536,187 and a net loss of \$468,365. As a result of recurring losses from operations and an accumulated deficit of \$31,661,456 as of December 31, 2006, our Independent Registered Public Accounting Firm, in their report dated April 11, 2007, have expressed substantial doubt about our ability to continue as a going concern.

On July 15, 2005, we consummated a private offering of \$3,250,000 principal amount of 3-year secured convertible notes (the "2005 Convertible Notes"). The 2005 Convertible Notes bear an interest rate of 8% at maturity and are convertible into shares of our common stock, at the holder's option, at the lower of (i) \$0.10 or (ii) 55% of the average of the three (3) lowest intraday trading prices for the common stock on a principal market for the twenty (20) trading days before but not including the conversion date. Accordingly, there is in fact no limit on the number of shares of common stock into which the Convertible Notes may be converted.

In connection with the 2005 Convertible Notes offering, we issued to those participating institutional investors five (5) year warrants to purchase an additional 3,000,000 shares of our common stock (the "2005 Convertible Note Warrants") at an exercise price of \$0.15 per warrant share. The holders of the 2005 Convertible Note Warrants contractually agreed to restrict their ability to convert or exercise the warrants and receive shares of our common stock such that the number of shares of common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock.

In connection with the offering, we issued 5-year warrants to the selling agent to acquire 240,000 shares of our common stock at \$0.15 per share to which the selling agent received gross fees of \$260,000, representing 8% of the total gross proceeds received by the Company.

We registered the resale of 50,000,000 common shares of the shares underlying the 2005 Convertible Notes on a registration statement on SEC Form SB-2, which was declared effective by the SEC on February 14, 2006.

On July 31, 2006 and on November 3, 2006, we consummated private offerings of \$500,000 (each, for a total of \$1,000,000) principal amount 3-year Convertible Notes (the "2006 Convertible Notes"), with the holders of our 2005 Convertible Notes. The 2006 Convertible Notes bear an interest rate of 6% at maturity and are convertible, at the holder's option, into shares of our common stock at the lower of: (i) \$0.10 or (ii) 55% of the average of the three (3) lowest intraday trading prices for the common stock on a principal market for the twenty (20) trading days before but not including the conversion date. Accordingly, there is in fact no limit on the number of shares into which the notes may be converted.

In connection with the "2006 Convertible Notes" offering, we issued to the participating institutional investors seven (7) year warrants to purchase an additional 20,000,000 shares of our common stock on July 31, 2006 and an additional 20,000,000 shares of our common stock on November 3, 2006 (the "2006 Convertible Note Warrants") at an exercise price of \$0.05 per warrant share for the July 31, 2006 Convertible Notes and \$0.04 per warrant share for the November 3, 2006 Convertible Notes. The holders of the 2006 Convertible Note Warrants contractually agreed to restrict their ability to convert or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock.

On August 28, 2006, we entered into a letter agreement with the holders of the 2005 Convertible Notes amending their registration rights agreements, whereby the Company was not required to register any shares of common stock issuable upon exercise of any of the warrants.

In connection with the 2006 Convertible Notes offering, the selling agent received gross fees of \$60,000, representing 6% of the total gross proceeds received by the Company, as consideration for services performed in connection with the issuance of the 2006 Convertible Notes.

We registered the resale of 75,000,000 common shares of the shares underlying the 2005 and 2006 Convertible Notes on a registration statement on SEC Form SB-2, which was declared effective by the SEC on October 25, 2006.

On January 11, 2007 and on March 7, 2007, we consummated private offerings of \$500,000 (each, for a total of \$1,000,000) principal amount 3-year Convertible Notes (the "2007 Convertible Notes"), with the holders of our 2005 and 2006 Convertible Notes. The 2007 Convertible Notes bear an interest rate of 6% at maturity and are convertible, at the holder's option, into shares of our common stock at the lower of: (i) \$0.10 or (ii) 55% of the average of the three (3) lowest intraday trading prices for the common stock on a principal market for the twenty (20) trading days before but not including the conversion date. Accordingly, there is in fact no limit on the number of shares into which the notes may be converted.

In connection with the “2007 Convertible Notes” offering, we issued to the participating institutional investors seven (7) year warrants to purchase an additional 20,000,000 of our common stock on January 11, 2007 and an additional 20,000,000 shares of our common stock on March 7, 2007 (the “2007 Convertible Note Warrants”) at an exercise price of \$.01 per warrant share for the January 11, 2007 Convertible Notes and \$0.01 per warrant share for the March 7, 2007 Convertible Notes. The holders of the 2007 Convertible Note Warrants contractually agreed to restrict their ability to convert or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock.

In connection with the 2007 Convertible Notes offering, the selling agent received gross fees of \$60,000, representing 6% of the total gross proceeds received by the Company, as consideration for services performed in connection with the issuance of the 2007 Convertible Notes.

As of May 30, 2007, the average of the three (3) lowest intraday trading prices for our common stock during the preceding twenty (20) trading days as reported on the OTC:BB was \$0.017 and, therefore, the conversion price for the secured convertible notes would be \$0.00935. Based on this conversion price, the balance of the 2005, 2006, and 2007 Convertible Notes in the principal amount of \$3,874,809, excluding interest, was convertible into 414,418,070 shares of our common stock.

Our principal offices are located at 6490 S. McCarran Blvd., Bldg C-23, Reno, Nevada 89509, and our telephone number is (775) 689-7696. We are a Texas corporation.

## THE OFFERING

Common stock offered by selling stockholders	Up to 75,000,000 shares (1)
Common stock to be outstanding after the offering	Up to 450,416,231 shares (2)
Use of proceeds	We will not receive any proceeds from the sale of the common stock. However, we will receive the sale price of any common stock we sell to the selling stockholder upon exercise of the warrants. In addition, we have received gross proceeds of \$5,250,000 from the sale of the secured convertible notes. The proceeds received from the sale of the secured convertible notes will be used for business development purposes, working capital needs, pre-payment of interest, payment of consulting and legal fees and purchasing inventory.
Over-The-Counter Bulletin Board Symbol	ITRO

(1) This prospectus covers the resale by the selling stockholders named in this prospectus of up to 75,000,000 shares of our common stock, par value \$.001 per share, issuable upon conversion of secured convertible notes acquired by the selling stockholders in our July 15, 2005, our July 31, 2006, our November 3, 2006, our January 11, 2007, and our March 7, 2007 private offerings (including a good faith estimate of the shares underlying secured convertible notes to account for market fluctuations and antidilution protection adjustments, respectively). The selling stockholders may offer to sell the shares of common stock being offered in this prospectus at fixed prices, at prevailing market prices at the time of sale, at varying prices or a negotiated prices. Please see “Plan of Distribution” in the prospectus for a detailed explanation of how the shares of common stock may be sold.



(2) The above information regarding common stock to be outstanding after the offering is based on 375,416,231 shares of common stock outstanding as of May 30, 2007 and assumes the subsequent conversion of our issued secured convertible notes by the selling stockholders but no exercise of an aggregate of 83,500,001 outstanding warrants.

This prospectus contains our trademarks, tradenames, and servicemarks and also contains certain trademarks, tradenames and servicemarks of other parties.

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## **RISK FACTORS**

This investment has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment.

### **Risks Relating to Our Business :**

#### **We Have a History Of Losses Which May Continue, and May Negatively Impact Our Ability to Achieve Our Business Objectives.**

We incurred net losses of \$3,809,885 and \$4,906,612 for the years ended December 31, 2006 and 2005, respectively. For the three months ended March 31, 2007, we incurred a net loss of \$468,365. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to continue expansion of our revenue. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

#### **We Anticipate That the Proceeds From Our March 2007 Private Placement Could Be Spent By as Early as June 2007. If We Are Unable to Obtain Additional Funding, Our Business Operations Will be Harmed. In Addition, Section 4e of the 2005, 2006, and 2007 Securities Purchase Agreements Contains Certain Restrictions and Limitations on Our Ability to Seek Additional Financing. If We Do Obtain Additional Financing, Our Then Existing Shareholders May Suffer Substantial Dilution .**

We anticipate that the proceeds from our March 2007 private placement will be spent by as early as June 2007. Accordingly, we will require additional funds to sustain and expand our sales and marketing activities. Additional capital will be required to effectively support the operations and to otherwise implement our overall business strategy. Without the prior written consent of a majority-in-interest of the investors for a period ending on the later of (i) 270 days from the closing date, or (ii) 180 days from the date that this registration statement is declared effective by the SEC, Section 4e of our 2005, 2006, and 2007 Securities Purchase Agreements limits our ability to seek additional financing, including negotiating or contracting with any party to obtain additional equity financing (including debt financing with an equity component) which involves the following:

- the issuance of shares of our common stock at a discount to the market price on the date of issuance;
- the issuance of convertible securities that are convertible into an indeterminate number of shares of our common stock; or



- the issuance of warrants to purchase shares of our common stock.

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There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all, or if a majority-in-interest of the investors under our 2005, 2006, and 2007 Securities Purchase Agreements will provide their prior written consent for us to engage in additional financing involving the issuance of our securities as set forth above. The inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our marketing and development plans and possibly cease our operations. Any additional equity financing may involve substantial dilution to our then existing shareholders.

**Our Independent Registered Public Accounting Firm Has Stated There is Substantial Doubt About Our Ability to Continue As a Going Concern, Which May Hinder Our Ability to Obtain Future Financing.**

In their report dated April 11, 2007 on our financial statements as of and for the year ended December 31, 2006, our independent registered public accounting firm stated that our recurring losses from operations and our accumulated deficit as of December 31, 2006 raised substantial doubt about our ability to continue as a going concern. Since December 31, 2006, we have continued to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. Our continued net operating losses and stockholders' deficiency increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

**Our Fertilizer Sales Are Dependent Upon Our Contract With Western Farm Service, Inc., Which Accounted for \$1,239,354 or 95% of 2006 Fertilizer Sales. The Loss of This Contract Could Cause Us to Cease Operations.**

In March 1998 we signed a definitive licensing, manufacturing, and distribution agreement with Western Farm Service, Inc. (WFS), a wholly owned subsidiary of Agrium, Inc. (a NYSE company) to market our GOLD'n GRO fertilizer products. The five-year agreement, with optional five-year renewal periods, was extended for another five years in March 2003. After the initial five year period, the contract may be terminated by either party in any subsequent year by giving the other party written notice 120 days prior to December 31 st of each year. Substantially all of our fertilizer sales (95%, or an aggregate of \$1,239,354 during 2006; a similar percentage is expected for 2007) are to WFS and we would be materially adversely affected if the contract were terminated. Any such termination may cause us to curtail or cease operations.

**If We are Unable to Balance Collection of Used Photochemical Raw Materials With Usage in Fertilizer Manufacturing, We May Be Unable to Meet Fertilizer Sales Demand from Our Fertilizer Customers**

Due to the nature of our business, our photochemical recycling customers are also suppliers of our used photochemical raw material needed for fertilizer manufacturing. This raw material is the primary ingredient that distinguishes our GOLD'n GRO fertilizer products from competing fertilizer products. If we are unable to collect and store adequate supplies of this raw material, we might not be able to fulfill all sales orders for our fertilizer products, especially during the peak spring sales season. If this were to occur, fertilizer sales growth could be limited or we could lose business from our customers.

**The EPA Registration Process for GOLD'n GRO Guardian Animal Repellent Will Be Lengthy and Expensive. There is No Guarantee That the Product Will Be Approved By the EPA and There Is No Guarantee That The Product Will Be Accepted In the Markets We Are Targeting. If Our Registration is Not Approved or if This Product is Not Accepted in the Markets Which We Are Targeting, Substantial Losses Could Occur.**

Registration of GOLD'n GRO Guardian with the Federal EPA, followed by registration in each state in which it will be sold, is necessary before the product can be sold in any state. The product is an animal repellent fertilizer and represents a new category of fertilizer for us. Our main risk is that the registration may take longer than anticipated,

and that the cost could be higher than presently budgeted. After registration is complete, normal market introduction timing of 2 to 3 years can be expected, and there is always the risk that another company with superior resources may develop a similar product. The revenues to be generated by product sales, after the product is registered, are expected to be supplemental to the regular GOLD'n GRO fertilizer sales but could grow to become a significant part of total fertilizer sales within a few years after introduction.

There is no assurance that the registration of GOLD'n GRO Guardian will be approved or that even if approved, that this product will be accepted in the markets which we are targeting. If our registration is not approved or if GOLD'n GRO Guardian is not accepted in the marketplace, substantial losses could occur.

**If We Are Unable to Retain the Services of Dr. John W. Whitney or If We Are Unable to Successfully Recruit Qualified Personnel Having Experience in Business, We May Not Be Able to Continue Our Operations.**

Our success depends to a significant extent upon the continued service of Dr. John W. Whitney, our current President, Treasurer and Director. Loss of the services of Dr. Whitney could have a material adverse effect on our growth, revenues, and prospective business. However, Dr. Whitney is bound by several confidentiality agreements, which specifically include non-compete clauses. We maintain "key man" life insurance policies on the life of Dr. Whitney in the amount of \$5,000,000. In addition, in order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified personnel having experience in business. Competition for qualified individuals is intense. There can be no assurance that we will be able to find, attract and retain existing employees or that we will be able to find, attract and retain qualified personnel on acceptable terms.

**We Are Subject to Judgments or Are in Default on Substantially All of Our Equipment Leases Which, if Not Settled, Could Result in the Repossession of Certain Equipment and Cause Us to Cease Operations**

As discussed in the Legal Proceedings section, many of these leases are subject to a judgment or are subject to litigation. The creditors with judgments that are not subject to settlement agreements may seize the secured equipment and/or other assets at any time without notice. Also as discussed in the Legal Proceedings section, we have renegotiated some of the leases. These leases are subject to stipulated judgments that allow the lessor to repossess the secured equipment and/or seize other assets without further court action if we become delinquent on future payments. The loss of our equipment could cause us to cease operations.

**If We Are Not Able to Successfully Market and Gain Public Awareness of Our Products and Services, We May Sustain Substantial Losses Which Could Require Us to Curtail or Cease Our Operations.**

The production of photochemical fertilizer for commercial and consumer applications is a new business concept characterized by competition with established fertilizer manufacturers who have historically produced products that have heretofore fulfilled the market demand. Achieving market awareness and acceptance for products being introduced and under development requires substantial marketing efforts and expenditure of significant marketing and advertising funds. There is uncertainty as to the rate of sales expansion and the degree of market acceptance of our products. Because of this, we are currently developing and evaluating, and anticipate that we will continue to develop, marketing and advertising for such new products or services; we will devote resources, financial and otherwise to such efforts. The failure of these efforts could result in substantial losses.

**Our Success is Dependant on The Ability of Our Products and Services to Compete in Our Various Industries.**

We operate in three highly competitive industries which have been characterized by pricing pressures, business consolidations, and flat or low growth trends in revenues and sales. Each of the industries in which we are operating has its own competitive characteristics. The mining technical services segment is somewhat dependent on metals prices in relation to production costs; the industry is under price pressure and consolidations are occurring. The need for technical services in this environment is reduced for certain types of services, but increased for others. There is increased competition from foreign firms who have exchange rate differentials that provide them a competitive advantage in provision of certain services. Our photochemical recycling segment operates in the photowaste hauling and disposal industry. A few large service companies and a few smaller regional companies characterize this industry. Expansion into international markets will also bring direct competition from foreign firms. The photochemical recycling segment also operates in the fertilizer industry. The fertilizer market consists of "Specialty Agriculture

Market”, the “Bulk Field Crop Market”, and the “Urban Fertilizer Market”. We are currently concentrating on increasing bulk GOLD’n GRO fertilizer sales, primarily in the Specialty Agriculture and the Bulk Field Crops markets. The fertilizer markets are mature and dominated by a few large manufacturers and distributors. The western U.S. distributor for the GOLD’n GRO fertilizers is one of these companies. Because the markets are mature, the rate of growth to be achieved when introducing new products is uncertain because of the need to displace existing products.

Our markets are not characterized by rapid technological change. These industries are characterized by the need to make large capital investments in order to be participants. This limits the rate of technological change and makes it more difficult for entry by new competitors. Prior to our photochemical recycling technology development, the recovery and disposal of hazardous photochemical waste was characterized by low or limited technology and consisted primarily of hauling and dumping the chemical for a fee. Most of the existing companies recover and sell a portion of the contained silver. The main risk is price fluctuations in the silver market.

The fertilizer industry is stable and new product development and introduction is a long-term process. The reason is that crops grow on seasonal cycles and crop nutrition is complex and affected by many factors. It takes years to develop a new fertilizer product due to the complexity of the plant nutrition process. Because of this, innovation in the fertilizer nutrient product market is low. Now that some of our products and nutrition programs are being introduced into the marketplace, there is no assurance that we will be able to maintain our product development lead if companies with larger resources decide to attempt to produce products that duplicate some of the characteristics of our products.

### **Our Success is Dependant Upon Regulatory Enforcement of the Waste Control Environment.**

Regulatory enforcement of the waste control environment is critical to our competitive position by making it more difficult for service companies with minimal compliance to operate and offer lower pricing. Generally, all 50 states continue to strengthen their regulatory enforcement but our competitive position in obtaining liquid photowastes, the basic process raw material, is somewhat dependent on the continuation of regulations and regulatory enforcement. Similar regulatory enforcement may not be available to us to aid in establishing and developing our international operations.

### **Our Success is Dependant Upon Our Ability to Adequately Protect Our Trade Secrets, Know-How, and Trademarks.**

We own the Itronics logo and name pursuant to common law and “GOLD’N GRO” is a registered trademark. We rely for protection of our intellectual property on trade secret law and nondisclosure and confidentiality agreements with our employees and others. There can be no assurance that such agreements will provide meaningful protection for our trade secrets or proprietary know-how in the event of any unauthorized use or disclosure of such trade secrets or know-how. In addition, others may obtain access to or independently develop technologies or know-how similar to ours.

Our success will also depend on our ability to avoid infringement of patent or other proprietary rights of others. We are not aware that we are infringing any patent or other such rights, nor are we aware of proprietary rights of others for which we will be required to obtain a license in order to develop our products. However, there can be no assurance that we are not infringing proprietary rights of others, or that we will be able to obtain any technology licenses we may require in the future.

### **We Are Refocusing Our Technical Services Segment to Include an Internet Information Portal to Support That Division. We Do Not Know If, or How Long, It Will Be Before Revenue Will Sustain Current Spending Levels. Additional Substantial Losses Could Occur.**

The redirection of Whitney & Whitney, Inc. to reduce emphasis on technical consulting services and to launch an Internet information portal was brought about by the fact that Dr. Whitney, our President, has often been the lead person in generating new consulting contracts. Our President’s increased responsibilities for managing the expanding photochemical recycling segment and overall corporate activities has reduced his time availability to actively participate in the consulting segment. The main risk in establishing the information portal is the length of time and the related support costs that will be expended during the time needed to get subscriptions to a break- even level.

We do not know if, or how long, it will be before revenue will sustain current spending levels. If it takes a long period of time to develop our Internet information portal and if we expend substantial support costs with respect to such reconfiguration without realizing any revenues related thereto, additional substantial losses could occur.

**Any Future Acquisitions Could Disrupt Our Existing Business and Harm Our Financial Position.**

An element of our growth strategy includes the acquisition of companies which we believe have synergistic business models. Acquisitions entail a number of risks that could materially and adversely affect business and operating results. Such risks would include problems integrating the acquired operations, technologies or products; diversion of management's time and attention from core businesses; difficulties in retaining business relations with suppliers and customers of the acquired company; risks associated with entering markets in which our management lacks prior experience, and potential loss of key employees from the acquired company.

**A Substantial Portion of Our Accounts Receivables Are Due From Western Farm Service, Inc. (WFS)**

As of March 31, 2007, \$111,120, or 89% of our total accounts receivables were due to us from WFS. This percentage may fluctuate up or down depending on the time of year. For example, as of December 31, 2006, this percentage was 47%. If WFS became unable or unwilling to pay the amounts due, it would have a material negative effect on our liquidity.

**There Are a Large Number of Shares Underlying Our Secured Convertible Notes and Warrants That May be Available for Future Sale and the Sale of These Shares May Depress the Market Price of Our Common Stock.**

As of May 30, 2007, we had 375,416,231 shares of common stock issued and outstanding, 18,749,661 common shares to be issued to management and other employees for unpaid salary and accrued interest in the amount of \$790,230, outstanding warrants and options to purchase 98,772,001 shares of common stock at exercise prices ranging from \$0.01 to \$0.50 per share (including outstanding compensatory options to purchase 6,457,000 shares of common stock at exercise prices ranging from \$0.15 to \$0.50 per share). We also have callable secured convertible notes outstanding, with a principal balance of \$3,874,809, that may be converted into an estimated 414,418,070 shares of common stock at current market prices on May 30, 2007. In addition, the number of shares of common stock issuable upon conversion of the outstanding secured convertible notes may increase if the market price of our stock declines. All of the shares, including all of the shares issuable upon conversion of the secured convertible notes and upon exercise of our warrants, may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock.

**The Continuously Adjustable Conversion Price Feature of Our Secured Convertible Notes Could Require Us to Issue a Substantially Greater Number of Shares, Which Will Cause Dilution to Our Existing Stockholders.**

Our obligation to issue shares upon conversion of our secured convertible notes is essentially limitless. The following is an example of the amount of shares of our common stock that are issuable, upon conversion of the principal amount of our secured convertible notes (\$3,874,809 as of May 30, 2007), based on market prices 25%, 50% and 75% below the closing market price as of May 30, 2007 of \$0.013.

% Below Market	Price Per Share	With Discount at 45%	Number of Shares Issuable	% of Outstanding Stock
25%	\$ 0.00975	\$ 0.0053625	722,575,105	65.8
50%	\$ 0.00650	\$ 0.0035750	1,083,862,657	74.3
75%	\$ 0.00325	\$ 0.0017875	2,167,725,315	85.2

As illustrated, the number of shares of common stock issuable upon conversion of our secured convertible notes will increase if the market price of our stock declines, which will cause dilution to our existing stockholders.



**The Continuously Adjustable Conversion Price Feature of our Secured Convertible Notes May Have a Depressive Effect on the Price of Our Common Stock.**

Once this registration statement is declared effective, the secured convertible notes are convertible into shares of our common stock at a 45% discount to the trading price of the common stock prior to the conversion. The significant downward pressure on the price of the common stock as the selling stockholders convert and sell material amounts of common stock could have an adverse effect on our stock price. In addition, not only the sale of shares issued upon conversion or exercise of secured convertible notes and warrants, but also the mere perception that these sales could occur, may adversely affect the market price of the common stock.

**The Issuance of Shares Upon Conversion of the Secured Convertible Notes and Exercise of Outstanding Warrants May Cause Immediate and Substantial Dilution to Our Existing Stockholders.**

The issuance of shares upon conversion of the secured convertible notes and exercise of warrants may result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. Although AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC may not convert their secured convertible notes and/or exercise their warrants if such conversion or exercise would cause them to own more than 4.99% of our outstanding common stock, this restriction does not prevent AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC from converting and/or exercising some of their holdings and then converting the rest of their holdings. In this way, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC could sell more than this limit while never holding more than this limit. There is no upper limit on the number of shares that may be issued which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock, including investors in this offering.

**In The Event That Our Stock Price Declines, The Shares Of Common Stock Allocated For Conversion Of The Secured Convertible Notes and Registered Pursuant To This Prospectus May Not Be Adequate And We May Be Required to File A Subsequent Registration Statement Covering Additional Shares. If The Shares We Have Allocated And Are Registering Herewith Are Not Adequate And We Are Required To File An Additional Registration Statement, We May Incur Substantial Costs In Connection Therewith.**

Based on our current market price and the potential decrease in our market price as a result of the issuance of shares upon conversion of the secured convertible notes, we have made a good faith estimate as to the amount of shares of common stock that we are required to register and allocate for conversion of the secured convertible notes. Accordingly, we have allocated 75,000,000 shares to cover the conversion of the secured convertible notes. In the event that our stock price decreases, the shares of common stock we have allocated for conversion of the secured convertible notes and are registering hereunder may not be adequate. If the shares we have allocated to the registration statement are not adequate and we are required to file an additional registration statement, we may incur substantial costs in connection with the preparation and filing of such registration statement.

**If We Are Required for any Reason to Repay Our Outstanding Secured Convertible Notes, We Would Be Required to Deplete Our Working Capital, If Available, Or Raise Additional Funds. Our Failure to Repay the Secured Convertible Notes, If Required, Could Result in Legal Action Against Us, Which Could Require the Sale of Substantial Assets.**

In July 2005, we entered into a Securities Purchase Agreement for the sale of an aggregate of \$3,250,000 principal amount of secured convertible notes. The secured convertible notes are due and payable, with 8% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. In addition, any event of default such as our failure to repay the principal or interest when due, our failure to issue shares of common stock upon conversion by the holder, our failure to timely file a registration statement or have such registration statement declared effective, breach of any covenant, representation or warranty in the Securities Purchase Agreement or related convertible note, the assignment or appointment of a receiver to control a substantial part of our property or business, the filing of a money judgment, writ or similar process against our company in excess of \$50,000, the commencement of a bankruptcy, insolvency, reorganization or liquidation proceeding against our company and the delisting of our common stock could require the early repayment of the secured convertible notes, including a default interest rate of 15% on the outstanding principal balance of the notes if the default is not cured with the specified grace period. We anticipate that the full amount of the secured convertible notes will be converted into shares of our common stock, in accordance with the terms of the secured convertible notes. If we were required to repay the secured convertible notes, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the notes when required, the note holders could commence legal action against us and foreclose on all of our assets to

recover the amounts due. Any such action would require us to curtail or cease operations.

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In July 2006, we entered into a Securities Purchase Agreement with the same Investors for the sale of an aggregate of \$500,000 principal amount of secured convertible notes. The secured convertible notes are due and payable, with 6% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. These secured convertible notes are subject to the same terms, penalties and other provisions as those discussed above.

In November 2006, we entered into a Securities Purchase Agreement with the same Investors for the sale of an aggregate of \$500,000 principal amount of secured convertible notes. The secured convertible notes are due and payable, with 6% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. These secured convertible notes are subject to the same terms, penalties and other provisions as those discussed above.

In January 2007, we entered into a Securities Purchase Agreement with the same Investors for the sale of an aggregate of \$500,000 principal amount of secured convertible notes. The secured convertible notes are due and payable, with 6% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. These secured convertible notes are subject to the same terms, penalties and other provisions as those discussed above.

In March 2007, we entered into a Securities Purchase Agreement with the same Investors for the sale of an aggregate of \$500,000 principal amount of secured convertible notes. The secured convertible notes are due and payable, with 6% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. These secured convertible notes are subject to the same terms, penalties and other provisions as those discussed above.

**If an Event of Default Occurs under the Securities Purchase Agreement, Secured Convertible Notes, Warrants, Security Agreement or Intellectual Property Security Agreement, the Investors Could Take Possession of all Our Goods, Inventory, Contractual Rights and General Intangibles, Receivables, Documents, Instruments, Chattel Paper, and Intellectual Property.**

In connection with the Securities Purchase Agreements we entered into in July 2005, July 2006, November 2006, January 2007, and March 2007 we executed a Security Agreement and an Intellectual Property Security Agreement in favor of the investors granting them a first priority security interest in all of our goods, inventory, contractual rights and general intangibles, receivables, documents, instruments, chattel paper, and intellectual property. The Security Agreements and Intellectual Property Security Agreements state that if an even of default occurs under the Securities Purchase Agreement, Secured Convertible Notes, Warrants, Security Agreements or Intellectual Property Security Agreements, the Investors have the right to take possession of the collateral, to operate our business using the collateral, and have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the collateral, at public or private sale or otherwise to satisfy our obligations under these agreements.

**Risks Relating to Our Common Stock :**

**If We Fail to Remain Current on Our Reporting Requirements, We Could be Removed From the OTC Bulletin Board Which Would Limit the Ability of Broker-Dealers to Sell Our Securities and the Ability of Stockholders to Sell Their Securities in the Secondary Market.**

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

**Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.**

The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and