

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9321 / May 2, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14865

In the Matter of

HYDROGENETICS, INC.,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against HydroGenetics, Inc. (“HydroGenetics” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

1. HydroGenetics is a Florida corporation with its principal place of business in Fort Lauderdale, Florida. HydroGenetics purportedly engages in the business of acquiring emerging alternative energy companies. During the relevant time its common stock was registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act"). Its common stock is quoted on the OTC Link, operated by OTC Markets Group, Inc.

2. In or about April 2008, certain investors purchased promissory notes that were convertible to HydroGenetics shares. Over the next year, the investors caused portions of the promissory notes to be assigned to various individuals and entities. Those individuals and entities then sought to convert the promissory notes to shares.

3. From May 2008 to approximately June 2009 HydroGenetics issued more than 248 million common shares that did not bear a restrictive legend to various stock recipients who had converted the promissory notes into HydroGenetics common stock.

4. HydroGenetics accepted the conversion of promissory notes. Then, beginning in May 2008 and ending in May 2009, two attorneys drafted eight nearly identical opinion letters opining that, pursuant to Rule 144, the shares issued pursuant to the conversion need not bear a restrictive legend because the holders of the promissory notes could rely on Rule 144 for their resales. According to the opinion letters, HydroGenetics was a non-reporting company. That statement was incorrect. HydroGenetics common stock was at all relevant times registered under Rule 12(g) of the Exchange Act and thus HydroGenetics was required to file periodic reports with the Commission.

5. HydroGenetics never filed any periodic reports and therefore failed to comport with the filing requirements of Section 13(a) of the Exchange Act. Accordingly, Rule 144 was not available and HydroGenetics could not issue the stock without a restrictive legend.

6. Nonetheless, HydroGenetics sent its transfer agent the opinion letters. In reliance on the opinion letters, HydroGenetics' transfer agent issued stock certificates representing more than 248 million shares that did not bear a restrictive legend.

7. In addition to improperly authorizing the issuance of unlegended stock certificates purportedly in compliance with Rule 144, HydroGenetics continued to accept the promissory notes for conversion to shares after the convertibility of the promissory notes to shares was exhausted. As a result, of the more than 248 million shares issued, approximately 107 million of those shares were also the product of improperly over-converting the promissory notes to HydroGenetics shares.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

8. Section 5(a) of the Securities Act prohibits the use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell a security unless a registration statement is in effect as to such security. Section 5(c) of the Securities Act prohibits the use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy a security unless a registration statement has been filed as to such security. No registration statement was filed with the Commission or was in effect as to the offer and sale of the shares that HydroGenetics distributed to the public.

9. As a result of the conduct described above, HydroGenetics violated Sections 5(a) and 5(c) of the Securities Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent HydroGenetics' Offer.

Accordingly, it is hereby ORDERED that:

Pursuant to Section 8A of the Securities Act, Respondent HydroGenetics cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act.

By the Commission.

Elizabeth M. Murphy
Secretary