

2. After the Commission's staff had notified Mast of its concerns regarding certain statements in HydroFlo's press releases, the defendants issued supposedly "corrective" releases that reiterated certain false and misleading information regarding the purported \$210 million contract and continued to erroneously state that a shipment of water filtration systems had been sent to Hurricane Katrina victims.

3. By engaging in the acts alleged herein, the defendants engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business that violate Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

4. The Commission seeks a judgment from the Court: (a) enjoining the defendants from engaging in future violations of the above sections of the federal securities laws; (b) barring Mast from serving as an officer or director of a public company, pursuant to Section 21(d)(2) of the Exchange Act; (c) barring Mast from participating in an offering of penny stock, pursuant to Section 21(d)(6) of the Exchange Act; and (d) ordering the defendants to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act.

JURISDICTION

5. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

6. The defendants made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, practices, and courses of business alleged herein, certain of which occurred within the Eastern District of North Carolina.

7. Venue is proper in this District pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. The court properly has venue over this action because certain of the conduct at

issue occurred in the Eastern District of North Carolina, and both defendants are located, reside, or conduct business in this District.

THE PARTIES

8. The plaintiff is the Securities and Exchange Commission, which brings this civil action pursuant to authority conferred on it by Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)].

9. Defendant **HydroFlo, Inc.**, is a North Carolina corporation with its principal place of business in Apex, North Carolina. Effective March 4, 2004, HydroFlo elected to be regulated by the Commission as a business development company (“BDC”), which enabled HydroFlo to raise up to \$5 million in a twelve-month period through public sales of its common stock without having to file a registration statement for the securities sold.

10. Defendant **Dennis Mast**, age 46, is a resident of North Carolina. At all relevant times, he was the chief executive officer of HydroFlo and chairman of its board of directors. Mast owns, through Free Harbor, LLC, an entity that he controls, 13.46 million shares of HydroFlo stock (as of June 30, 2005), which represents approximately one-third of the company’s outstanding stock.

FACTS

11. HydroFlo common stock is registered with the Commission pursuant to Section 12 of the Exchange Act and, until recently, traded under the symbol HYRF on the Over the Counter Bulletin Board. It now trades on the Pink Sheets, which is a daily publication compiled by the National Quotation Bureau that provides bid and ask prices of stocks traded over the counter.

12. Beginning in 2004, HydroFlo made two public offerings of stock pursuant to Regulation E of the Securities Act of 1933 (“Securities Act”). Regulation E permits companies

that have elected to be regulated as BDCs to raise up to \$5 million per year through offerings exempt from the registration requirements of the Securities Act. HydroFlo's first offering raised approximately \$1.7 million. HydroFlo's second offering, which commenced on October 10, 2005, and remains open, seeks to raise up to \$5 million.

13. HydroFlo owns several operating subsidiaries that operate or plan to operate in the water treatment industry. One of HydroFlo's subsidiaries is Metals & Arsenic Removal Technology, Inc. ("MARTI"). MARTI markets water filtration systems that MARTI claims reduce levels of arsenic and other contaminants in drinking water.

**I. FALSE AND MISLEADING PRESS RELEASES
CONCERNING A PURPORTED \$210 MILLION CONTRACT**

A. August 15, 2005 Press Release

14. On August 15, 2005, HydroFlo issued a press release announcing that its wholly-owned subsidiary, MARTI had received an "agreement amendment" from a customer, Essentially Yours Industries, Inc. ("EYII"), to supply water filtration systems. The press release stated that "[t]he total value of the order is expected to exceed \$210 million." Mast approved this release and caused HydroFlo to issue it.

15. This press release was false and materially misleading because, as HydroFlo acknowledged in a subsequent press release that it issued on October 26, 2005, after having been contacted by the Commission's staff, "EYII did not and has not placed an order with MARTI for any particular quantity or dollar volume of products." In fact, MARTI had only a consignment agreement to supply products to EYII, and EYII was not obligated to purchase anything from MARTI.

16. HydroFlo's statement that "[t]he total value of the order is expected to exceed \$210 million" was also materially misleading. The purported order in question was between EYII and a

Chinese manufacturer called China Electronics Import and Export South China Corporation (“CEIEC”). Neither MARTI nor HydroFlo was a party to that contract. Further, the EYII/CEIEC contract set no minimum purchase requirements, and Mast privately expected HydroFlo and MARTI to realize only approximately \$1 million in revenue for fiscal year 2005 from EYII.

B. September 27, 2005 Press Release

17. On September 27, 2005, HydroFlo issued a press release bearing the heading “MARTI Distributor Signs Guaranteed 2 Year \$42 Million Agreement With Chinese Distribution Company.” The release stated that MARTI “will produce and supply [EYII] and China Electronics Import and Export South China Corporation (CEIEC) with \$42 million worth of Water Pitchers and Filters.” The release further asserted that CEIEC “must purchase a minimum of \$21 million in product in each of the years 2006 and 2007.” Mast drafted and caused HydroFlo to issue this release.

18. This press release was false and materially misleading because (i) the EYII-CEIEC contract did not provide for any “guaranteed” revenue to MARTI or HydroFlo and (ii) neither EYII nor CEIEC was contractually required to order any products at all from MARTI under their consignment arrangement. HydroFlo subsequently acknowledged that “[n]either the [contract between EYII and CEIEC] nor MARTI’s own agreement with EYII require the purchase of particular quantity or dollar amount” of MARTI products.

19. HydroFlo’s public statements about this contract were further misleading because they created the false impression that the \$210 million contract and the \$42 million contract were two separate contracts. The September 27 press release announcing the “guaranteed” \$42 million agreement failed to disclose that it concerned the same transaction as discussed in the August 15, 2005 press release announcing a \$210 million agreement amendment.

C. September 28, 2005 Press Release

20. On September 28, 2005, HydroFlo issued a press release, drafted by Mast, entitled “HydroFlo Portfolio Company MARTI Values EYII Contract Announced Yesterday at \$210,000,000 Over Next Two Years.” This press release was materially misleading because (i) the EYII/CEIEC contract included no minimum purchase requirements, and thus neither EYII nor CEIEC was required to purchase any products from MARTI; and (ii) even if CEIEC had purchased from EYII the entire amount contemplated under the contract, HydroFlo’s subsidiary, MARTI, would not have received \$210 million. According to EYII’s public statements, EYII could be paid \$210 million if CEIEC purchased the maximum amount of product it was permitted to purchase under the contract. The revenue realized by MARTI, however, would have been substantially less, because EYII would have paid MARTI, its supplier, only a percentage of any revenue that EYII received from the contract. Indeed, HydroFlo later stated in a corrective release that it issued on October 26, 2005, after conversations with the Commission’s staff, that “the figure cited in the press release is a projection of revenue to [EYII] arising out of its own agreement with [CEIEC], not a projection by MARTI of its own expected revenues from the arrangement.”

21. After the Commission’s staff notified HydroFlo of its concerns regarding the company’s statements in press releases, the company initially issued two purportedly corrective releases, on October 6, 2005 and October 7, 2005. The “corrective” releases, however, reiterated the claim that the “value” of the EYII-CEIEC contract to HydroFlo/MARTI was \$210 million and continued to describe the contract as a “guaranteed” \$42 million agreement. Both press releases were drafted by Mast.

22. After additional discussions with the Commission’s staff, HydroFlo issued another corrective release on October 26, 2005, in which HydroFlo conceded that (i) neither HydroFlo nor

any of its portfolio companies had an agreement with CEIEC; (ii) neither MARTI's agreement with EYII nor EYII's agreement with CEIEC guaranteed the purchase of particular quantities of products from MARTI or HydroFlo; and (iii) the \$210 million projection was the amount that EYII had reported as CEIEC's projected purchase from EYII during the stated period, and did not represent a reasonable projection of the revenues, if any, that HydroFlo would receive from the contract.

23. Each of defendants' statements regarding the EYII contract was material. For the quarter ended March 31, 2005, HydroFlo reported the value of its investment in MARTI at only \$865,000. A contract "valued" at \$210 million, or one that "guaranteed" \$42 million in revenues over two years, would have exponentially increased MARTI's revenues, far exceeding MARTI's prior earnings.

24. Defendant Mast either drafted or reviewed and approved the press releases concerning the EYII-CEIEC contract prior to their issuance and he knew or was reckless in not knowing that the statements contained in the releases were false and materially misleading.

II. PRESS RELEASES CONCERNING A PURPORTED "INDEPENDENT ANALYST REPORT"

A. October 4, 2005 Press Release

25. On October 4, 2005, HydroFlo issued a press release, approved by Mast, stating that Wasserman Morris and Company, "an independent investment research firm," had initiated research of HydroFlo. The release further stated that Wasserman Morris had "upgraded the previous price target from \$0.47 to \$2.10 well above its current trading price while maintaining a 'Speculative Buy.'" The release also asserted that Wasserman Morris provides "un-biased" research on "under-followed" stocks.

26. The price of HydroFlo's common stock increased thirty-three percent after the issuance of the press release, rising from \$0.88 at the close of the market on October 3 to a high of \$1.17 on October 4.

27. The press release was materially misleading because it touted Wasserman Morris's coverage as "un-biased" and "independent," while failing to disclose that HydroFlo had paid Wasserman Morris \$19,500 for the coverage.

28. The press release was also materially misleading because it touted the Wasserman Morris price target and "upgrade" even though the report was based on information that Mast knew to be false, including (i) that the EYII/CEIEC contract "is likely to provide [HydroFlo] with roughly \$210 million in revenues for the next two years;" (ii) that "[HydroFlo] is actively involved in the restoration of basic sanitary living conditions" in hurricane-affected areas; (iii) that a contract to supply water filtration units in the United States "could also bring HydroFlo up to \$7.5 million in revenues;" and (iv) that Wasserman Morris "expect[s] HydroFlo's management to secure a portion of the \$100 billion that are being made available for disaster relief."

29. HydroFlo's corrective press release, issued on October 26, 2005, disclosed that the Wasserman Morris report "contained a number of inaccurate or incomplete statements about the company." The release stated that (i) neither HydroFlo nor any of its portfolio companies have an agreement with CEIEC; (ii) neither MARTI's agreement with EYII nor EYII's agreement with CEIEC guarantees the purchase of particular quantities; (iii) the \$210 million projection is the amount that EYII reports as CEIEC's projected purchase from EYII during the stated period, and not representative of HydroFlo's expected revenues; (iv) that the \$7.5 million revenue projection contained in the Wasserman Morris report is EYII's projection of its own revenues, not a projection of MARTI's potential revenues.

30. Wasserman Morris subsequently issued a revised report on HydroFlo, rescinding the price target it had assigned to HydroFlo's stock and downgrading the company from a "speculative buy" to "neutral." The new report stated that Wasserman Morris had downgraded the stock because of the new information divulged in the corrective release that HydroFlo had issued on October 26, 2005.

31. Although Mast was aware that Wasserman Morris had issued a new, revised report on HydroFlo, in which Wasserman Morris had lowered the price target for HydroFlo, and had downgraded the stock to a neutral, Mast did not issue a press release or otherwise disclose that information to investors.

32. At the time that Mast caused HydroFlo to issue the October 4 press release concerning the Wasserman Morris research report, Mast knew or was reckless in not knowing that the public statements made in HydroFlo's press release regarding the Wasserman Morris report were false and misleading. Mast knew that the company had paid Wasserman Morris \$19,500 for coverage and that this information was not disclosed to investors in the press release. He also knew that the research report and price target were based on false information. Mast subsequently learned that Wasserman Morris had issued a revised report lowering HydroFlo's price target and rating, but did not disclose this to investors.

III. FALSE AND MISLEADING PRESS RELEASES CONCERNING DONATIONS TO THE HURRICANE KATRINA RELIEF EFFORT

A. September 12, 2005 Press Release

33. Following the devastation in Louisiana and Mississippi caused by Hurricane Katrina, HydroFlo issued a press release on September 12, 2005, announcing that its subsidiary, MARTI "has agreed to donate water filtering systems along with consulting services to aid in the Hurricane Katrina disaster relief effort." The release further stated that "[t]he initial commitment

for distribution of water pitchers and filters and for 5,000 units” and that “[t]he first shipment is expected to go out this week to DOD and other shipments will follow to FEMA as units are produced by our Chinese manufacturer.” Mast drafted and caused HydroFlo to issue this press release.

34. As HydroFlo conceded in the press release on October 26, 2005, neither the Department of Defense (“DOD”) nor the Federal Emergency Management Agency (“FEMA”), or any other government agency, had requested consulting services from HydroFlo or MARTI, and no agency had agreed to accept them. Moreover, at the time of the release, MARTI did not even have 5,000 filtration units to ship that week.

B. September 16, 2005 Press Release

35. Four days later, on September 16, 2005, HydroFlo issued another press release, also drafted by Mast, that stated that HydroFlo “has committed to supplying 5,000 drinking water filtration units for the victims of Hurricane Katrina.” The September 16, 2005 release also stated that another HydroFlo subsidiary, HydroFlo Water Treatment, Inc. (“HWTI”), “will consult with Federal, State and Local officials in an effort to restore sewer treatment and water supply throughout the Hurricane-ravaged areas.” The release quoted Mast as saying that the company’s lobbyist “is doing all he can to secure a portion of the \$100 billion that is being made available for disaster relief.” Mast drafted this release and caused HydroFlo to issue it.

36. The September 16 press release was materially misleading because, as of the date of the release, (i) MARTI had still did not have 5,000 water filtration units that it could ship, nor had MARTI contacted any agency involved in hurricane relief to arrange to supply water filtration systems; and (ii) HWTI had not agreed with any party to donate consulting services.

C. September 20, 2005 Press Release

37. On September 20, 2005, HydroFlo announced that MARTI “has donated water filtering systems, along with HydroFlo portfolio company [HWTI] consulting services, to aid in the Hurricane Katrina disaster relief effort” and stated that “[t]he first shipment [of water filtration systems] has been sent out to assist survivors and other shipments will follow to FEMA and the DOD as units are provided by our manufacturers.” Mast drafted and caused HydroFlo to issue this release.

38. The September 20 press release was false and materially misleading because, as of the date of the release, (i) MARTI had neither donated nor shipped any water filtration systems; and (ii) HWTI had not donated any consulting services. HydroFlo confirmed in the press release issued on October 26, 2005, that water filtration systems had not, in fact, been shipped to FEMA or DOD.

D. October 7, 2005 Press Release

39. On October 7, 2005, after the Commission’s staff had contacted HydroFlo regarding certain statements in the press releases, the company issued a press release purporting to correct the misstatements made in the September 20 press release. Although the “corrected” release revealed that “[t]he full shipment of 5,000 was ordered on September 19 and confirmation was received that the shipment will be sent from the China plant on October 15, 2005,” the release nevertheless was titled “First Shipment of Filtering Systems *Leaves* for Hurricane Katrina Survivors,” and falsely reiterated that “[t]he first shipment *has been sent out* to assist survivors and other shipments will follow to FEMA and DOD as units are produced by our manufacturers.” (Emphasis added.) Mast drafted and caused HydroFlo to issue this release.

E. October 26, 2005 Corrective Press Release

40. After further discussions with the Commission's staff, HydroFlo issued an additional corrective press release on October 26, 2005. Among other things, the press release addressed the company's claims regarding its involvement in the Hurricane Katrina relief efforts, stating that "[t]o the extent these releases state or imply that HydroFlo's portfolio companies had actually reached agreements with any entities to supply consulting services, they are inaccurate. Certain of those companies have simply offered such services." The release went on to state that no donated products had been shipped as of September 20 and, in fact, no donated products had been shipped as of the date of the release.

41. Each of the defendants' statements regarding the company's involvement in the Hurricane Katrina relief efforts was material. If HydroFlo had actually been involved in the relief effort, this involvement could have potentially granted HydroFlo access to a portion of the federal funds allotted to the relief and resulted in lucrative business for HydroFlo. The company's touting of purported involvement also could have generated goodwill, as the company and its efforts would likely be viewed favorably by investors. HydroFlo also used the newsworthiness of hurricane relief to mislead investors into thinking that the company was then in the business of shipping products designed to assist flood victims, when in fact the company had yet to manufacture any such products.

42. Defendant Mast drafted each of these press releases and approved their issuance when he knew or was reckless in not knowing that the statements contained in the releases were false and materially misleading.

CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5

43. The Commission realleges and reincorporates paragraphs 1 through 42 as if fully set forth herein.

44. From at least August 2005 through October 2005, the defendants, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit.

45. By reason of their actions alleged herein, the defendants each violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enter judgment in favor of the Commission finding that the defendants each violated the securities laws and Rule promulgated thereunder as alleged herein;

II.

Permanently enjoin the defendants from violating Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];

III.

Order the defendants to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act of 1934 [15 U.S.C. § 78u(d)(3)];

IV.

Order that defendant Mast be permanently barred pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], based on findings that Mast's conduct demonstrates unfitness to serve as officer or director of such an issuer;

V.

Order that defendant Mast be permanently barred from participating in an offering of penny stock, pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)]; and

VI.

Grant such other relief as this Court may deem just and proper.

Dated: 7/5/2006

Respectfully submitted,



Antonia Chion
Yuri B. Zelinsky
Lawrence C. Renbaum
Stacey M. Nahrwold
Matthew D. Strada
Pamela H. Nolan

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**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HYDROFLO, INC. and DENNIS MAST,

Defendants.

No. 06-270

CONSENT OF DEFENDANT HYDROFLO, INC.

1. Defendant HydroFlo, Inc. ("Defendant") waives service of a summons and the complaint in this action, enters a general appearance, and admits the Court's jurisdiction over Defendant and over the subject matter of this action.

2. Without admitting or denying the allegations of the complaint (except as to personal and subject matter jurisdiction, which Defendant admits), Defendant hereby consents to the entry of the final Judgment in the form attached hereto (the "Final Judgment") and incorporated by reference herein, which, among other things, permanently restrains and enjoins Defendant from violating Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

3. Defendant agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any civil penalty amounts that Defendant pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof

are added to a distribution fund or otherwise used for the benefit of investors. Defendant further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any penalty amounts that Defendant pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors.

4. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

6. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

7. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

8. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

9. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Final Judgment.

10. Consistent with 17 C.F.R. § 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that it shall not be permitted to contest the factual allegations of the complaint in this action.

11. Defendant understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings." 17 C.F.R. § 202.5. In compliance with this policy, Defendant agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; and (ii) that upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they

deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

13. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.

14. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

Dated: 5/19/06

J. Neal Hill
HydroFlo, Inc.

On 5-19, 2006, Franklin Neal Hill, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent with full authority to do so on behalf of HydroFlo, Inc. as its _____.



Brenda Swan
Notary Public
Commission expires: August 9, 2010

Approved as to form:
[Signature]

Howard Schiffman
Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street, N.W.
Washington, D.C. 20037-1526
(202) 775-4748

Attorney for Defendant

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HYDROFLO, INC. and DENNIS MAST,

Defendants.

No. 06-270

CONSENT OF DEFENDANT DENNIS MAST

1. Defendant Dennis Mast (“Defendant”) waives service of a summons and the complaint in this action, enters a general appearance, and admits the Court’s jurisdiction over Defendant and over the subject matter of this action.

2. Without admitting or denying the allegations of the complaint (except as to personal and subject matter jurisdiction, which Defendant admits), Defendant hereby consents to the entry of the final Judgment in the form attached hereto (the “Final Judgment”) and incorporated by reference herein, which, among other things:

- (a) permanently restrains and enjoins Defendant from violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 promulgated thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5];
- (b) orders Defendant to pay a civil penalty in the amount of \$100,000 under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

- (c) orders that Defendant be permanently barred pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], based on findings that Defendant's conduct demonstrates unfitness to serve as officer or director of such an issuer; and
- (d) orders that Defendant be permanently barred from participating in an offering of penny stock, pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

3. Defendant agrees that he shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any civil penalty amounts that Defendant pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors. Defendant further agrees that he shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any penalty amounts that Defendant pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors.

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7. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

8. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

9. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Final Judgment.

10. Consistent with 17 C.F.R. § 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and

other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that he shall not be permitted to contest the factual allegations of the complaint in this action.

11. Defendant understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings." 17 C.F.R. § 202.5. In compliance with this policy, Defendant agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; and (ii) that upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

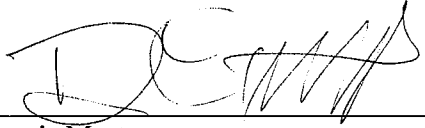
12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees,

expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

13. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.

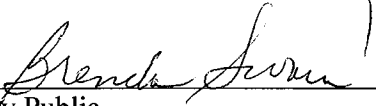
14. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

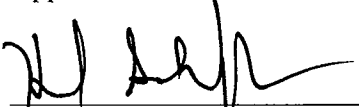
Dated: 5/19/06


Dennis Mast

On 5-19, 2006, Dennis Mast, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent.




Notary Public
Commission expires: August 9, 2010

Approved as to form:


Howard Schiffman
Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street, N.W.
Washington, D.C. 20037-1526
(202) 775-4748

Attorney for Defendant

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

<p>I. (a) PLAINTIFFS</p> <p>(b) County of Residence of First Listed Plaintiff _____ (EXCEPT IN U.S. PLAINTIFF CASES)</p> <p>(c) Attorney's (Firm Name, Address, and Telephone Number)</p>	<p>DEFENDANTS</p> <p>County of Residence of First Listed Defendant _____ (IN U.S. PLAINTIFF CASES ONLY)</p> <p>NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.</p> <p>Attorneys (If Known)</p>
--	--

<p>II. BASIS OF JURISDICTION (Place an "X" in One Box Only)</p> <p><input type="checkbox"/> 1 U.S. Government Plaintiff</p> <p><input type="checkbox"/> 2 U.S. Government Defendant</p> <p><input type="checkbox"/> 3 Federal Question (U.S. Government Not a Party)</p> <p><input type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)</p>	<p>III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 10%; text-align: center;">PTF</td> <td style="width: 10%; text-align: center;">DEF</td> <td style="width: 45%;"></td> <td style="width: 10%; text-align: center;">PTF</td> <td style="width: 10%; text-align: center;">DEF</td> </tr> <tr> <td>Citizen of This State</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td>Incorporated <i>or</i> Principal Place of Business In This State</td> <td style="text-align: center;"><input type="checkbox"/> 4</td> <td style="text-align: center;"><input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td style="text-align: center;"><input type="checkbox"/> 2</td> <td style="text-align: center;"><input type="checkbox"/> 2</td> <td>Incorporated <i>and</i> Principal Place of Business In Another State</td> <td style="text-align: center;"><input type="checkbox"/> 5</td> <td style="text-align: center;"><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> </tr> </table>		PTF	DEF		PTF	DEF	Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated <i>or</i> Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4	Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated <i>and</i> Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
	PTF	DEF		PTF	DEF																				
Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated <i>or</i> Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4																				
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated <i>and</i> Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5																				
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES	
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<p>PERSONAL INJURY</p> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	<p>PERSONAL INJURY</p> <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <p>PERSONAL PROPERTY</p> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <p style="text-align: center;">PROPERTY RIGHTS</p> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark <p style="text-align: center;">LABOR</p> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act <p style="text-align: center;">SOCIAL SECURITY</p> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <p style="text-align: center;">FEDERAL TAX SUITS</p> <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS			
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 510 Motions to Vacate Sentence <p>Habeas Corpus:</p> <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition			

V. ORIGIN (Place an "X" in One Box Only)

1 Original Proceeding
 2 Removed from State Court
 3 Remanded from Appellate Court
 4 Reinstated or Reopened
 5 Transferred from another district (specify)
 6 Multidistrict Litigation
 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (**Do not cite jurisdictional statutes unless diversity**): _____

Brief description of cause: _____

VII. REQUESTED IN COMPLAINT: CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 **DEMAND \$** _____ CHECK YES only if demanded in complaint: **JURY DEMAND:** Yes No

VIII. RELATED CASE(S) IF ANY (See instructions): JUDGE _____ DOCKET NUMBER _____

DATE _____ SIGNATURE OF ATTORNEY OF RECORD _____

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____

INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

I. (a) Plaintiffs-Defendants. Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.

(b) County of Residence. For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)

(c) Attorneys. Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".

II. Jurisdiction. The basis of jurisdiction is set forth under Rule 8(a), F.R.C.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.

United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.

United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.

Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.

Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; federal question actions take precedence over diversity cases.)

III. Residence (citizenship) of Principal Parties. This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.

IV. Nature of Suit. Place an "X" in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section VI below, is sufficient to enable the deputy clerk or the statistical clerks in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive.

V. Origin. Place an "X" in one of the seven boxes.

Original Proceedings. (1) Cases which originate in the United States district courts.

Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.

Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.

Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.

Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.

Multidistrict Litigation. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407. When this box is checked, do not check (5) above.

Appeal to District Judge from Magistrate Judgment. (7) Check this box for an appeal from a magistrate judge's decision.

VI. Cause of Action. Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553
Brief Description: Unauthorized reception of cable service

VII. Requested in Complaint. Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.

Demand. In this space enter the dollar amount (in thousands of dollars) being demanded or indicate other demand such as a preliminary injunction.

Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.

VIII. Related Cases. This section of the JS 44 is used to reference related pending cases if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

Date and Attorney Signature. Date and sign the civil cover sheet.

SEC v. HydroFlo, Inc. and Dennis Mast

Attorneys for Plaintiff Securities and Exchange Commission

Antonia Chion

Yuri B. Zelinsky

Lawrence C. Renbaum

Stacey M. Nahrwold

Matthew D. Strada

Pamela H. Nolan

Securities and Exchange Commission

100 F Street, N.E.

Washington D.C. 20549

(202) 551-4769 (tel)

(202) 551-9227 (fax)

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HYDROFLO, INC. and DENNIS MAST,

Defendants.

No. 06-270

FINAL JUDGMENT AS TO DEFENDANT HYDROFLO, INC.

The Securities and Exchange Commission having filed a Complaint and Defendant HydroFlo, Inc. having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or

instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

IV.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: _____, 2006

UNITED STATES DISTRICT JUDGE

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HYDROFLO, INC. and DENNIS MAST,

Defendants.

No. 06-270

FINAL JUDGMENT AS TO DEFENDANT DENNIS MAST

The Securities and Exchange Commission having filed a Complaint and Defendant Dennis Mast having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of

interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], Defendant is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently barred from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock. A penny stock is any equity security that has a price of less than five dollars, except as provided in Rule 3a51-1 under the Exchange Act [17 C.F.R. § 240.3a51-1].

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant shall pay a civil penalty in the amount of \$100,000 pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. Defendant shall make this payment within ten (10) business days after entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying Dennis Mast as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Judgment. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

VIII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: _____, 2006

UNITED STATES DISTRICT JUDGE