

**STATE OF ARKANSAS**  
**SECURITIES DEPARTMENT**

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IN THE MATTER OF

ORDER PROVIDING A  
TRANSACTIONAL EXEMPTION  
FROM REGISTRATION

THERMOENERGY CORPORATION

ORDER NO. 98-016-S

**FINDINGS OF FACT**

1. On March 16, 1998, a letter was received by the Arkansas Securities Department requesting that the proposed offer and sale of \$50,000 of a 15% Convertible Debenture due January 15, 2003, (the "Debenture") by ThermoEnergy Corporation (the "Company"), to Andrew Melton (the "Transaction"), be determined to be an exempt transaction pursuant to Ark. Code Ann. § 23-42-504(a)(12).
2. The Company is a corporation organized under the laws of the State of Arkansas. The Company has authorized the issuance of 15% Convertible Debentures due January 15, 2003 in the aggregate principle amount of \$1,000,000 in order to provide additional working capital.
3. The buyer will be Andrew Melton ("Buyer"), who is an Arkansas resident and a member of the Board of Directors of the Company.
4. There will no commission or other remuneration paid in connection with the issuance of the Debenture.
5. An exemption from registration has been requested pursuant to the Commissioner's discretionary authority under Ark. Code Ann. § 23-42-504(a)(12). The Buyer has had access to all material financial and other information concerning the Company as is necessary to make an informed investment decision. Based upon the foregoing, the Transaction is not the type the Arkansas Securities Act (the "Act") was designed to protect by requiring registration.

**CONCLUSIONS OF LAW**

1. Under Section 23-42-504(a)(12) of the Act, the Commissioner may by order exempt certain transactions from Sections 23-42-501 and 23-42-502 of the Act as not being necessary or appropriate in the public interest for the protection of investors.
2. It is not necessary or appropriate in the public interest for the protection of investors for the Company to be required to register the Transaction under the Act for the purposes of the contemplated offering.
3. It is not necessary or appropriate in the public interest for the protection of investors for the Company to be required to engage the services of a registered agent for the purpose of making sales of the securities.

**OPINION**

In recognition of the representations made by the Company, it appears registration of this Transaction is unnecessary in this instance.

This order does not exempt the Company from the antifraud provisions of the Act.

**ORDER**

IT IS THEREFORE ORDERED that securities offered or sold in Arkansas for the proposed Transaction, if offered and sold in compliance with the representations made in the letters of March 12, and March 16, 1998, and in accordance with the Findings of Fact stated herein, shall be exempted from Sections 23-42-501 and 23-42-502 of the Act.

WITNESS MY HAND AND SEAL this 17th day of March 1998.

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REBECCA BERRY

DEPUTY SECURITIES COMMISSIONER