HYDRON TECHNOLOGIES INC
Form 10-Q
August 14, 2001

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

FORM 10-Q

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended: June 30, 2001

or

[ ] Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Period from ---------- to ----------

Commission File Number: 0-6333

HYDRON TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| New York | 13-1574215 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 1001 Yamato Road, Suite 403, Boca Raton, Florida | 33431 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (561) 994-6191

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

Number of shares of common stock outstanding as of August 1, 2001: 4,975,136

HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

| | June 30, 2001 (Unaudited) | December 31, 2000 (Note) |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 596,146 | $ 190,946 |
| Trade accounts receivable | 63,159 | 136,306 |
| Inventories | 1,379,510 | 1,489,396 |
| Prepaid expenses and other current assets | 13,373 | 39,619 |
| Total current assets | 2,052,188 | 1,856,267 |
| Property and equipment, less accumulated depreciation of $986,732 and $931,232 at 2001 and 2000, respectively | 55,502 | 111,002 |
| Deposits | 15,234 | 60,403 |
| Deferred product costs, less accumulated amortization of $5,338,652 and $5,194,952 at 2001 and 2000, respectively | 629,143 | 772,843 |
| Total Assets | $ 2,752,067 | $ 2,800,515 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| Current liabilities | | |
| Accounts payable | $ 163,672 | $ 194,791 |
| Customer deposits | 306,600 | -- |
| Accrued liabilities | 494,261 | 464,084 |
| Total current liabilities | 964,533 | 658,875 |
| Commitments and contingencies | -- | -- |
| Shareholders' equity | | |
| Common stock - $.01 par value 30,000,000 shares authorized; 5,035,336 shares issued; and 4,975,136 shares outstanding | 50,353 | 50,353 |
| Additional paid-in capital | 19,501,837 | 19,501,837 |
| Accumulated deficit | (17,325,498) | (16,971,392) |
| Treasury stock, at cost; 60,200 shares | (439,158) | (439,158) |
| Total Shareholders' equity | 1,787,534 | 2,141,640 |
| Total liabilities and shareholders equity | $ 2,752,067 | $ 2,800,515 |

Note: The balance sheet at December 31. 2000 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements.

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(Unaudited)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Net Sales | $ 517,157 | $ 607,862 | $ 846,850 | $ 1,280,252 |
| Cost of sales | 142,433 | 222,199 | 198,041 | 438,514 |
| Gross profits | 374,724 | 385,663 | 648,809 | 841,738 |
| Expenses | | | | |
| Royalty expense | 26,574 | 30,000 | 43,058 | 63,953 |
| Research and development | 24,764 | 21,859 | 40,143 | 40,009 |
| Selling, general & administration | 360,470 | 506,908 | 725,070 | 954,209 |
| Depreciation & amortization | 99,600 | 111,300 | 199,200 | 222,600 |
| Total expenses | 511,408 | 670,067 | 1,007,471 | 1,280,771 |

| | | | | |
|---|---|---|---|---|
| Operating loss | (136,684) | (284,404) | (358,662) | (439,033 |
| Interest income | 2,742 | 5,674 | 4,556 | 11,850 |
| Loss before income taxes | (133,942) | (278,730) | (354,106) | (427,183 |
| Income taxes expense | -- | -- | -- | -- |
| Net loss | $ (133,942) | $ (278,730) | $ (354,106) | $ (427,183 |
| Basic and diluted loss per share | | | | |
| Net loss per common share | $ (0.03) | $ (0.06) | $ (0.07) | $ (0.09 |

See notes to condensed consolidated financial statements.



HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Six months ended June 30 | |
|---|---|---|
| | 2001 | 2000 |
| Operating Activities | | |
| Net Loss | $ (354,106) | $ (427,183) |
| Adjustments to reconcile net loss to | | |
| Net Cash used by operating activities | | |
| Depreciation and amortization | 199,200 | 222,600 |
| Change in operating assets and liabilities | | |
| Trade accounts receivables | 73,147 | (160,887) |
| Inventories | 109,886 | (108,271) |
| Prepaid expenses and other current assets | 26,246 | 13,428 |
| Deposits | 45,169 | 88,685 |
| Accounts payable | (31,119) | 23,151 |
| Customer deposits | 306,600 | -- |
| Accrued liabilities | 30,177 | (4,137) |
| Net cash provided (used) by operating activities | 405,200 | (352,614) |
| Investing activities | | |
| Net cash provided (used) by investing activities | -- | 536 |
| Financing activities | | |
| Net cash provided (used) by financing activities | -- | -- |
| Net increase (decrease) in cash and cash equivalents | 405,200 | (353,150) |

| | | |
|---|---|---|
| Cash and cash equivalents at beginning of period | 190,946 | 653,916 |
| Cash and cash equivalents at end of period | $ 596,146 | $ 300,766 |

See notes to condensed consolidated financial statements.



HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

June 30, 2001

## Note A - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Hydron Technologies, Inc. (the "Company"), all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

## Note B - Inventories

Inventories consist of the following:

| | June 30, 2001 | December 31, 2000 |
|---|---|---|
| Finished goods | $ 889,625 | $ 869,082 |
| Raw materials and components | 489,885 | 620,314 |
| | $ 1,379,510 | $ 1,489,396 |

## Note C - Distribution

- Catalog Sales

In November 1996, Hydron Technologies, Inc. (the Company) opened a new channel of distribution for Hydron products with the launch of its proprietary Catalog. The Catalog provides information on new Hydron products, educates consumers on proper skin and hair care and facilitates re-ordering. The orders are taken by phone, mail and through the Company's redesigned Hydron website (www.hydron.com).

- Direct Response Television

Effective September 1, 1999, the Company entered into a marketing and distribution agreement (the "Home Shopping Agreement") with HSN that grants HSN an exclusive worldwide license to





Note C - Distribution (continued)

market and distribute certain of the Company's proprietary consumer products through various forms of electronic retailing. The Home Shopping Agreement also grants HSN a non-exclusive license to market Hydron products through all other methods of distribution in certain countries outside the United States.

The Company launched its products on HSN's television network on September 16, 1999. Hydron products have since been featured in "Hydron Skin Care Solutions" hours during 7 of the first 12 months of the Home Shopping Agreement. While HSN has not met its purchase commitment for the first 12 months and Hydron has not been on the domestic network since August of 2000, Management is continuing to work with HSN to re-establish Hydron's presence through their domestic network in 2001.

In November 2000 the Company also began marketing on HSE, the Spanish language subsidiary of HSN. Hydron has secured a two-year agreement with Home Shopping Espanol (HSE), a rapidly expanding division of Home Shopping, L.P., to air Hydron products on HSE's Spanish-language television shopping programming in the Untied States and internationally. The Company is currently working with HSE to include its Spanish language show in the United States, Puerto Rico and Mexico. It is anticipated HSE will eventually expand to additional Latin American and South American markets.

Although Management believes that there are other avenues for selling its products, including the Hydron catalog, the loss of HSN as a customer would have a material adverse effect on the Company's business. Sales through television retailers were 24% and 59% of the Company sales during the six months ended June 30, 2001 and 2000, respectively.

The Company entered into a license agreement with QVC, Inc. in 1993 ("QVC License Agreement"), whereby QVC was granted exclusive rights to market and distribute the Company's proprietary consumer products using Hydron polymers in the Western Hemisphere. In 1996, the Company and QVC modified the QVC License Agreement ("Amended License Agreement"), whereby the Company reacquired certain retail marketing rights to the Hydron product line. Effective May 31, 1999, the Company terminated the Renegotiated License Agreement as a result of QVC's failure to satisfy the annual minimum product purchase requirements for the period ended May 31, 1999.

The Company continues to sell certain products to QVC, on a non-exclusive basis, so that QVC can resell these products to their customers who had previously purchased the products and wish to re-order Hydron products.

Notes to Consolidated Financial Statements
(Unaudited)

June 30, 2001

Note C - Distribution (continued)

- Private Label Contracting

In March 2001 the Company signed a contract with a U.S. corporation to provide exclusive skin care products based on Hydron's patented formula technology. The product launch will include, facial moisturizers, skin treatment products and related prestige quality formulas. The contract has escalating minimums over three years to maintain exclusivity.

- International

The majority of the Company's products are currently sold in the United States. The Company entered an agreement in 1995 with an Australian-based health and beauty products distributor, Doctors Formula Pty. Ltd., to market Hydron products in retail salon stores and medical offices in Australia and New Zealand. The Company entered into a distribution agreement with a distributor in Taiwan in April. The first shipment to Taiwan was in May. The Company also distributes dental products into Spain and, to a lesser extent, other countries. Although this category is not significant at this time, it represents the foundation for future growth in a new channel of distribution.



HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

June 30, 2001

Note D - Earnings Per Share

The following table sets forth the computation of basic and diluted loss per share:

| | Three Months Ended June 30, | | Six Months Ended | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | |
| Numerator: | | | | |
| Net loss is both the numerator for basic loss per share (income available to common shareholders) and the numerator for diluted loss per share (income available to common shareholders after assumed conversions) | $ (133,942) | $ (278,730) | $ (354,106) | $ |
| Denominator: | | | | |

| | | | | |
|---|---|---|---|---|
| Denominator for basic loss per share (weighted-average shares) | 4,975,136 | 4,975,136 | 4,975,136 | 4 |
| Effect of dilutive securities: Stock options and warrants | -- | -- | -- | |
| Denominator for dilutive loss per share (adjusted weighted-average) | 4,975,136 | 4,975,136 | 4,975,136 | 4 |
| Basic loss per share | $ (.03) | $ (.06) | $ (0.07) | $ |
| Diluted loss per share | $ (.03) | $ (.06) | $ (0.07) | $ |

Options and warrants to purchase 620,500 shares of common stock were outstanding at June 30, 2001, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive to the net loss per share for the period.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business

Hydron Technologies, Inc. markets a broad range of consumer and oral health care products using a moisture-attracting ingredient (the "Hydron(R) polymers"), and owns a non-prescription drug delivery system for topically applied pharmaceuticals, which uses such polymer. The Company holds U.S. and international patents on what Management believes is the only known cosmetically acceptable method to suspend the Hydron polymer in a stable emulsion for use in personal care/cosmetic products. The Company has concentrated its sales and development activities primarily on the application of these biocompatible, hydrophilic polymers in various personal care/cosmetic products for consumers and, to a lesser extent, oral-care products for dental professionals. The Company entered into a license agreement for supply of the polymer with National Patent Development Corp. ("National Patent"), which provides for reciprocal royalty payments based on the sale of certain of each party's products. The Company currently has thirty-nine individual products available (excluding shade variations) in the following product lines: skin care (22 products), hair care (7 products), bath and body (8 products) and sun care (2 products). Of the Company's products, nine are Over-The-Counter (OTC) drug products.

The Company is developing other cosmetic/personal care and OTC drug products for consumers using Hydron polymers. The Company intends to continue to explore using its technology as a topical drug delivery system and would, when appropriate, either seek licensing arrangements with third parties, or develop and market proprietary products through its own efforts.

The Company is also researching and developing new technology-based and possibly patentable skin treatment systems that would augment its product line. When appropriate, The Company may license existing technology to secure exclusive marketing rights.

Management believes that the Company's Hydron product lines are unique and offer the following competitive benefits: the moisturizers self-adjust to match the skin's optimal pH balance soon after they are applied to the skin; they become water-insoluble on the skin's surface, and unlike all other water-based cremes and lotions, are not removed by the skin's perspiration or plain water; they are oxygen-permeable and leave no greasy after-feel; they do not emulsify the skin's natural moisturizing agents, as do conventional cremes and lotions; and they attract and hold water, creating a cushion of moisture on the skin's surface that promotes penetration of other beneficial product ingredients. The Company's products are dermatologist tested and approved for all skin types. Products for use around the eye area are also ophthalmologist tested and safe for contact lens wearers. Most of the Company's moisturizing products are based on the Company's patented emulsion system, which permits the product ingredients to deliver their intended benefits over an extended period of time and in a more efficient manner.

Hydron products had been marketed on QVC through regularly scheduled hour-long programs from April 1994 through May 1999 under licensing agreement. The Company continues to sell certain products to QVC, on a non-exclusive basis, so that QVC can resell these products to their customers who had previously purchased the products and wish to re-order Hydron products.

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Business (continued)
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Effective September 1, 1999, the Company entered into a marketing and distribution agreement (the "Home Shopping Agreement") with HSN that grants HSN an exclusive worldwide license to market and distribute certain of the Company's proprietary consumer products through various forms of electronic retailing. The Home Shopping Agreement also grants HSN a non-exclusive license to market Hydron products through all other methods of distribution in certain countries outside the United States.

The Company launched its products on HSN's domestic television network on September 16, 1999. While HSN has not met its purchase commitment for the first 12 months, Management is continuing to work with HSN to increase sales through their network in 2001.

In November 2000 the Company began marketing on HSE, the Spanish language subsidiary of HSN. Hydron has secured a two-year agreement with Home Shopping Espanol (HSE), a rapidly expanding division of Home Shopping, L.P., to air Hydron products on HSE's Spanish-language television shopping programming in the Untied States and internationally. Hydron has retained Charytin Goyco, a well-known Latin celebrity, as Spokesperson for the Latin American Market for the same two-year period. The HSE program has already expanded beyond the US border to include Puerto Rico and Mexico. . It is anticipated HSE will eventually expand to additional Latin American and South American markets.

In November 1996, the Company opened a new channel of distribution for Hydron products with the launch of its proprietary Catalog. This full color Catalog offers the Company's personal care products for sale directly to consumers. The Catalog also provides information on new Hydron products, educates consumers on proper skin and hair care and facilitates re-ordering. Catalog sales also include sales of products from the Hydron website (www.hydron.com) which was redesigned and re-launched in January 2001. The Company is currently exploring new ways to enhance Catalog sales and operations.

In March 2001, the Company announced that it signed a contract to provide a major international multilevel marketing corporation with exclusive skin care products based on Hydron's patented formula technology. The product line will include facial moisturizers, skin treatment products and related prestige quality formulas. The contract has escalating minimums totaling $1.5 million over three years to maintain exclusivity. The first order has been received with the initial shipments have been made in August 2001.

Internationally, the Company entered an agreement in 1995 with an Australian-based health and beauty products distributor, Doctors Formula Pty. Ltd., to market Hydron products in retail salon stores and medical offices in Australia and New Zealand. The Company entered into a distribution agreement with a distributor in Taiwan in April. The first shipment to Taiwan was in May. The Company also distributes dental products into Spain and, to a lesser extent, other countries.

The majority of Hydron products are now sold in connection with direct marketing. Although Management believes that there is significant growth potential in other avenues for selling the Company's products, the loss of HSN as a customer would have a material adverse effect on the Company's business.



The Company has not decided what actions, if any, it plans to take under such circumstances.

## Results of Operations

Net sales for the three months ended June 30, 2001 were $517,157, a decrease of $90,705, or 15%, from net sales of $607,862 for the three months ended June 30, 2000. Net sales for the six months ended June 30, 2001 were $846,850, a decrease of $433,402, or 34%, from net sales of $1,280,252 for the six months ended June 30, 2000.

Catalog net sales for the three months ended June 30, 2001 were $332,589, an increase of $42,977, or 15%, from catalog net sales of $289,612 for the three months ended June 30, 2000. Catalog net sales for the six months ended June 30, 2001 were $638,273, an increase of $119,080, or 23% from catalog net sales of $519,193 for the six months ended June 30, 2000. The increase in catalog sales for the three months ended June 30, 2000 was the result of targeted promotional activities. The increase in catalog sales for the six months ended June 30, 2000 was the result of an overall strategic effort to improve catalog activity to current customers and to bring in new customers.

Non-catalog net sales, including HSN and QVC, for the three months ended June 30, 2001 were $184,568, a decrease of $133,682, or 42%, from non-catalog net sales of $318,250 for the three months ended June 30, 2000. Non-catalog net sales for the six months ended June 30, 2001 were $208,577, a decrease of $552,482, or 73%, from non-catalog net sales of $761,058 for the six months ended June 30, 2000. The decrease in non-catalog sales resulted primarily from lower net sales to HSN. The Company is working with HSN to rectify this situation for the balance of 2001. QVC sales were also below a year ago reflecting an anticipated steady volume decline as Hydron has not been actively marketed to the QVC's customers since May 1999.

Approximately 35% of the Company's sales for the three months ended June 30, 2001, were from HSN and QVC, down from 52% for the three months ending June 30, 2000. Approximately 24% and 59% of the Company's sales during the six months ended June 30, 2001 and 2000, respectively, were to HSN and QVC. Management anticipates that television sales will continue to be a smaller percentage of the Company's sales and, absent the consummation of marketing or distribution arrangements with third parties other than HSN, the Company's dependence upon direct response television as a distribution channel will be reduced.

The Company's overall gross profit margin for the three months ended June 30, 2001 was 73%, as compared to 63% for the three months ended June 30, 2000. The Company's overall gross profit margin for the six months ended June 30, 2001 was 77%, as compared to 66% for the six months ended June 30, 2000. The increase in gross profit margins reflect the fact that Catalog sales which have a higher margins make up a larger portion of the Company's total sales.

The gross profit margin on catalog sales were 85% for the three months ended June 30, 2001and 2000. The gross profit margin on catalog sales for the six months ended June 30, 2001 was 83%, as compared to 82% for the six months ended June 30, 2000. The increase in catalog gross profit margin for the six months ended June 30, 2000 was a result of a shift in product mix.

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Results of Operations (continued)
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The gross profit margin on non-catalog sales for the three months ended June 30, 2001 was 60%, as compared to 47% for the three months ended June 30, 2000. The gross profit margin on non-catalog sales for the six months ended June 30, 2001 was 59%, as compared to 60% for the six months ended June 30, 2000. The increase in non-catalog gross profit margins was the result of the mix of products sold.

Research and development ("R&D") expenses reflect the Company's efforts to identify new product opportunities, develop and package the products for commercial sale, perform appropriate efficacy and safety tests, and conduct consumer panel studies and focus groups. R&D expenses for the three months ended June 2001 were $24,764, a slight increase of $2,905, or 13%, from R&D expenses of $21,859 for the three months ended June 2000. The amount of R&D expenses per year varies, depending on the nature of the development work during each year, as well as the number and type of products under development at such time.

Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2001 were $360,470, a decrease of $146,438, or 29%, from SG&A expenses of $506,908 for the three months ended June 30, 2000. Such expenses for the six months ended June 30, 2001 were $725,070, a decrease of $229,139, or 24%, from SG&A expenses of $954,209 for the six months ended June 30, 2000. The decrease in both periods was principally reduced warehouse costs and consulting fees.

Interest and investment income for the three months ended June 30, 2001 was $2,742, a decrease of $2,932, or 52%, from interest and investment income of $5,674 for the three months ended June 30, 2000. Interest and investment income for the six months ended June 30, 2001 was $4,556, a decrease of $7,294, or 62%, from interest and investment income of $11,580 for the six months ended June 30, 2000. These decreases were due to lower cash balances for most of the 2001 periods compared to the 2000 periods. The Company maintains a conservative investment strategy, deriving investment income primarily from U.S. Treasury securities.

The net loss for the three months ended June 30, 2001 was $133,942, as compared to a net loss of $278,730 for the three months ended June 30, 2000. The net loss for the six months ended June 30, 2001 was $354,106, as compared to a net loss of $427,183 for the six months ended June 30, 2000. The decrease in the net losses resulted primarily from the factors discussed above.

Liquidity and Financial Resources
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The Company's working capital was approximately $1,087,655 at June 30, 2001. Cash and cash equivalents are approximately $596,146 at June 30, 2001, an increase of $405,200 from $190,946 at December 31, 2000. The Company's cash position has been improved as the result of improved cash management and, substantially, as the result of a customer's deposit with order.

There were no investing activities for the six months ended June 30, 2001.

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Liquidity and Financial Resources (continued)

There were no financing activities during the six months ended June 30, 2001.

The Company has incurred significant losses over the past four years. The ability of the Company to continue, as a going concern is dependent on increasing sales and reducing operating expenses.

Management's plan to increase sales and reduce operating expenses includes several specific actions. Catalog sales will be emphasized since they have higher profit margins and represent markets that are growing more rapidly than the Company's traditional television market. Direct marketing techniques will be used to reach new and current consumers such as promotions mailed to targeted consumers, Web site specials, promotions to other Web site customers, and direct e-mail promotions to current customers. Management also plans to increase international expansion at a controlled level. In addition, the Company is considering the possibility of raising funds through a private placement stock offering.

Based on the above plan and the Company's present cash position, the absence of any short or long term debt, arrangements with third parties for contractual manufacturing and R&D, and the Company's present business strategy, management believes that the Company has adequate resources to meet normal, recurring obligations, for at least the next twelve months, as they become due.

The Company does not have the financial resources to sustain a national advertising campaign to market its products in a conventional retail mode. In view of the foregoing, Management's strategy has been to enter into marketing, licensing and distribution agreements with third parties (such as HSN, QVC, private label agreements) which have greater financial resources than those of the Company and that can enhance the Company's product introductions with appropriate national marketing support programs.

The effect of inflation has not been significant upon either the operations or financial condition of the Company.

Cautionary Statement Regarding Forward Looking Statements

The statements contained in this Report on Form 10-Q that are not purely historical are forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the Company's expectations, hopes, intentions, beliefs or strategies regarding the future. Forward-looking statements include the Company's liquidity, anticipated cash needs and availability, and the anticipated expense levels under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." All forward looking statements included in this document are based on information available to the Company on the date of this Report, and the Company assumes no obligation to update any such forward looking statement. It is important to note the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. You should also consult the Company's Annual Report on Form 10-K for the year ended December 31, 2000 as well as those factors listed from time to time in the Company's other reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and the Securities Act of 1933.



Part II - Other Information

Item 1. Legal Proceedings

The Company is not a party to, and its property is not the subject of, any material pending legal proceedings.

Item 6. Exhibits and Reports on Form 8-K

None



SIGNATURES

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

HYDRON TECHNOLOGIES, INC.

By: /s/ WILLIAM A. FAGOT
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William A. Fagot
Chief Financial Officer

Dated: August 14, 2001