

Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

HUDSON TECHNOLOGIES INC /NY  
Form 10KSB/A  
April 03, 2001

Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-KSB/A  
(Amendment No. 1)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-13412

Hudson Technologies, Inc.

(Name of small business issuer as specified in its charter)

New York  
(State or other jurisdiction of  
incorporation or organization)

13-3641539  
(IRS Employer  
Identification No.)

275 North Middletown Road  
Pearl River, New York  
(address of principal executive offices)

10965  
(ZIP Code)

Issuer's telephone number, including area code: (845) 735-6000

Securities registered under Section 12(b) of the  
Securities Exchange Act of 1934: None

Securities registered under Section 12(g) of the  
Securities Exchange Act of 1934:

Common Stock, \$0.01 par value

Check whether the issuer: (1) has filed all reports required to be filed by  
Section 13 or 15 (d) of the Exchange Act during the past 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 .

Check if disclosure of delinquent filers in response to Item 405 of Regulation  
S-B is not contained in this form and no disclosure will be contained, to the  
best of the Registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-KSB or any

# Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

amendment to this Form 10-KSB \_X\_.

The Issuer's revenues for the fiscal year ended December 31, 2000 were \$15,455,000

The aggregate market value of the Issuer's Common Stock held by non-affiliates as of March 13, 2001 was approximately \$11,770,000. As of March 13, 2001, there were 5,088,820 shares of the Issuer's Common Stock outstanding.

Documents incorporated by reference: None

=====

## Hudson Technologies, Inc.

### Index

Part ---	Item ----	Page ----
Part I.	Item 1 - Description of Business	3
	Item 2 - Description of Properties	7
	Item 3 - Legal Proceedings	8
	Item 4 - Submission of Matters to a Vote of Security Holders	9
Part II.	Item 5 - Market for the Common Equity and Related Stockholder Matters	10
	Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations	11
	Item 7 - Financial Statements	15
	Item 8 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	15
Part III.	Item 9 - Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act	16
	Item 10 - Executive Compensation	18
	Item 11 - Security Ownership of Certain Beneficial Owners and Management	21
	Item 12 - Certain Relationships and Related Transactions	23
	Item 13 - Exhibits and Reports on Form 8-K	24
	Signatures	26
	Financial Statements	27

2

### Part I

-----

#### Item 1. Description of Business

##### General

Hudson Technologies, Inc., incorporated under the laws of New York on January 11, 1991, together with its subsidiaries (collectively, "Hudson" or the

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

"Company"), primarily (i) sells refrigerants, (ii) provides RefrigerantSide(R) Services performed at a customer's site, consisting of system decontamination to remove moisture, oils and other contaminants and (iii) provides recovery and reclamation of the refrigerants used in commercial air conditioning, industrial processing and refrigeration systems. The Company operates through its wholly owned subsidiary Hudson Technologies Company.

The Company's Executive Offices are located at 275 North Middletown Road, Pearl River, New York and its telephone number is (845) 735-6000.

### Industry background

The production and use of refrigerants containing chlorofluorocarbons ("CFCs") and hydrochlorofluorocarbons ("HCFCs"), the most commonly used refrigerants, are subject to extensive and changing regulation under the Clean Air Act (the "Act"). The Act, which was amended during 1990 in response to evidence linking the use of CFCs to damage to the earth's ozone layer, prohibits any person in the course of maintaining, servicing, repairing and disposing of air conditioning or refrigeration equipment, to knowingly vent or otherwise release or dispose of ozone depleting substances used as refrigerants. That prohibition also applies to substitute, non-ozone depleting refrigerants. The Act further requires the recovery of refrigerants used in residential, commercial and industrial air conditioning and refrigeration systems.

In addition, the Act prohibited production of CFC refrigerants effective January 1, 1996 and limits the production of refrigerants containing HCFCs, which production is scheduled to be phased out by the year 2030.

Owners, operators and companies servicing cooling equipment are responsible for the integrity of their systems regardless of the refrigerant being used and for the responsible management of their refrigerant.

### Products and Services

#### RefrigerantSide(R) Services

The Company provides services that are performed at a customer's site through the use of portable, high volume, high-speed proprietary reclamation equipment, including its patented Zugibeast(R) reclamation machine. Certain of these RefrigerantSide(R) Services, which encompass system decontamination, and refrigerant recovery and reclamation are also proprietary and are covered by certain process patents. The Company also provides complete refrigerant management services, which include testing and banking services tailored to individual customer requirements. Hudson also separates "crossed" (i.e. commingled) refrigerants and provides re-usable cylinder repair and hydrostatic testing services.

#### Refrigerant Sales

The Company sells reclaimed and virgin (new) refrigerants to a variety of customers in various segments of the air conditioning and refrigeration industry. Virgin refrigerants are primarily purchased by the Company from E.I. DuPont de Nemours and Company ("DuPont") as part of the Company's strategic alliance with DuPont (see "Strategic Alliance" below), and resold by the Company, typically at wholesale. In addition, the Company regularly purchases used or contaminated refrigerants from many different sources, which refrigerants are then reclaimed, using the Company's high volume proprietary reclamation equipment, and resold by the Company.

#### Hudson's Network

Hudson operates from a network of facilities located in:

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Baltimore, Maryland	--RefrigerantSide (R) Service depot
Baton Rouge, Louisiana	--RefrigerantSide (R) Service depot
Boston, Massachusetts	--RefrigerantSide (R) Service depot
Charlotte, North Carolina	--Reclamation center and RefrigerantSide (R) Service depot
Chicago, Illinois	--RefrigerantSide (R) Service depot

3

Fort Myers, Florida	--Engineering center
Hillburn, New York	--RefrigerantSide (R) Service depot
Houston, Texas	--RefrigerantSide (R) Service depot
Plainview, New York	--RefrigerantSide (R) Service depot
Punta Gorda, Florida	--Refrigerant separation and reclamation center and RefrigerantSide (R) Service depot
Rantoul, Illinois	--Reclamation and cylinder refurbishment center and RefrigerantSide (R) Service depot
Seattle, Washington	--RefrigerantSide (R) Service depot

### Strategic Alliance

In January 1997, the Company entered into an Industrial Property Management Segment Marketer Appointment and Agreement and Refrigeration Reclamation Services Agreement with DuPont, pursuant to which the Company (i) provides recovery, reclamation, separation, packaging and testing services directly to DuPont for marketing through DuPont's Authorized Distributor Network and (ii) markets DuPont's SUVA(TM) refrigerant products to selected market segments together with the Company's reclamation and refrigerant management services.

In addition, in January 1997, the Company entered into a Stock Purchase Agreement with DuPont and DuPont Chemical and Energy Operations, Inc. ("DCEO") pursuant to which the Company issued to DCEO 500,000 shares of Common Stock in consideration of \$3,500,000 in cash. Concurrently, the parties entered into a Standstill Agreement, Shareholders' Agreement and Registration Agreement which, among other things, provide that (i) subject to certain exceptions, neither DuPont nor any corporation or entity controlled by DuPont will, directly or indirectly, acquire any shares of any class of capital stock of the Company if the effect of such acquisition would be to increase DuPont's aggregate voting power in the election of directors to greater than 20% of the total combined voting power in the election of directors; (ii) at DuPont's request, the Company will cause two persons designated by DCEO and DuPont to be elected to the Company's Board of Directors; and (iii) subject to certain exceptions, DuPont will have a five-year right of first refusal to purchase shares of Common Stock sold by the Company's principal shareholders. The Company also granted to DuPont certain demand and "piggy-back" registration rights with respect to the shares. The Standstill Agreement, Shareholders Agreement and the demand and "piggy-back" registration rights under the Registration Rights Agreement terminated on January 29, 2002.

### Suppliers

The Company's financial performance is in part dependent on its ability to obtain sufficient quantities of virgin and reclaimable refrigerants from manufacturers, wholesalers, distributors, bulk gas brokers and from other sources within the air conditioning and refrigeration and automotive aftermarket industries, and on corresponding demand for refrigerants. To the extent that the Company is unable to obtain sufficient quantities of refrigerants in the future, or resell refrigerants at a profit, the Company's financial condition and results of operations would be materially adversely affected.

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

### Customers

The Company provides its services to commercial, industrial and governmental customers, as well as to refrigerant wholesalers, distributors, contractors and to refrigeration equipment manufacturers. Agreements with larger customers generally provide for standardized pricing for specified services.

For the year ended December 31, 2000, one customer accounted for 13% of the Company's revenues. For the year ended December 31, 1999, one customer accounted for 17% of the Company's revenues. The loss of a principal customer or a decline in the economic prospects and purchases of the Company's products or services by any such customer would have a material adverse effect on the Company's financial position and results of operations.

### Marketing

Marketing programs are conducted through the efforts of the Company's executive officers, Company sales personnel, and third parties. Hudson employs various marketing methods, including direct mailings, technical bulletins, in-person solicitation, print advertising, response to quotation requests and participation in trade shows.

The Company's sales personnel are compensated on a commission basis with a guaranteed minimum draw. The Company's executive officers devote significant time and effort to customer relationships.

4

### Competition

The Company competes primarily on the basis of price, breadth of services offered (including proprietary RefrigerantSide(R) Services and other on-site services), and performance of its proprietary high volume, high-speed equipment used in its operations.

The Company competes with numerous regional companies, which provide refrigerant recovery and/or reclamation services, as well as companies marketing reclaimed and new alternative refrigerants. Certain of such competitors, may possess greater financial, marketing, distribution and other resources for the sale and distribution of refrigerants than the Company and, in some instances, provide services or products over a more extensive geographic area than the Company.

The refrigerant recovery and reclamation industry is relatively new and emerging competition from existing competitors and new market entrants is expected to increase. Demand and market acceptance for Hudson's RefrigerantSide(R) Services, and for the Company's refrigerant management products and services are subject to a high degree of uncertainty. There can be no assurance that the Company will be able to compete successfully or penetrate this market as rapidly as it anticipates.

### Insurance

The Company carries insurance coverage the Company considers sufficient to protect the Company's assets and operations. The Company currently maintains general commercial liability insurance and excess liability coverage for claims up to \$7,000,000 per occurrence and \$7,000,000 in the aggregate. There can be no assurance that such insurance will be sufficient to cover potential claims or that an adequate level of coverage will be available in the future at a reasonable cost. The Company attempts to operate in a professional and prudent manner and to reduce its liability risks through specific risk management

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

efforts, including employee training. Nevertheless, a partially or completely uninsured claim against the Company, if successful and of sufficient magnitude, would have a material adverse effect on the Company.

The refrigerant industry involves potentially significant risks of statutory and common law liability for environmental damage and personal injury. The Company, and in certain instances, its officers, directors and employees, may be subject to claims arising from the Company's on-site or off-site services, including the improper release, spillage, misuse or mishandling of refrigerants classified as hazardous or non-hazardous substances or materials. The Company may be strictly liable for damages, which could be substantial, regardless of whether it exercised due care and complied with all relevant laws and regulations.

Hudson maintains environmental impairment insurance of \$1,000,000 per occurrence, and \$2,000,000 annual aggregate for events occurring subsequent to November 1996. There can be no assurance that the Company will not face claims resulting in substantial liability for which the Company is uninsured, that hazardous substances or materials are not or will not be present at the Company's facilities, or that the Company will not incur liability for environmental impairment or personal injury.

### Government Regulation

The business of refrigerant reclamation and management is subject to extensive, stringent and frequently changing federal, state and local laws and substantial regulation under these laws by governmental agencies, including the Environmental Protection Agency ("EPA"), the United States Occupational Safety and Health Administration and the United States Department of Transportation.

Among other things, these regulatory authorities impose requirements which regulate the handling, packaging, labeling, transportation and disposal of hazardous and non-hazardous materials and the health and safety of workers, and require the Company and, in certain instances, its employees, to obtain and maintain licenses in connection with its operations. This extensive regulatory framework imposes significant compliance burdens and risks on the Company.

Hudson and its customers are subject to the requirements of the Act, and the regulations promulgated thereunder by the EPA, which make it unlawful for any person in the course of maintaining, servicing, repairing, and disposing of air conditioning or refrigeration equipment, to knowingly vent or otherwise release or dispose of ozone depleting substances, and non-ozone depleting substitutes, used as refrigerants.

Pursuant to the Act, reclaimed refrigerant must satisfy the same purity standards as newly manufactured refrigerants in accordance with standards established by the Air Conditioning and Refrigeration Institute ("ARI") prior to

resale to a person other than the owner of the equipment from which it was recovered. The ARI and the EPA administer certification programs pursuant to which applicants are certified to reclaim refrigerants in compliance with ARI standards. Under such programs, the ARI issues a certification for each refrigerant and conducts periodic inspections and quality testing of reclaimed refrigerants.

The Company has obtained ARI certification for most refrigerants at each of its reclamation facilities, and is certified by the EPA. The Company is required to submit periodic reports to the ARI and pay annual fees based on the number of pounds of reclaimed refrigerants. Certification by the ARI is not currently

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

required to engage in the refrigerant management business.

During February 1996, the EPA published proposed regulations, which, if enacted, would require participation in third-party certification programs similar to the ARI program. Such proposed regulations would also require laboratories designed to test refrigerant purity to undergo a certification process. Extensive comments to these proposed regulations were received by the EPA. The EPA is still considering these comments and no further or additional regulations have been proposed or published.

In addition, the EPA has established a mandatory certification program for air conditioning and refrigeration technicians. Hudson's technicians have applied for or obtained such certification.

The Company is subject to regulations adopted by the Department of Transportation which classify most refrigerants handled by the Company as hazardous materials or substances and impose requirements for handling, packaging, labeling and transporting refrigerants.

The Resource Conservation and Recovery Act of 1976 ("RCRA") requires that facilities that treat, store or dispose of hazardous wastes comply with certain operating standards. Before transportation and disposal of hazardous wastes off-site, generators of such waste must package and label their shipments consistent with detailed regulations and prepare a manifest identifying the material and stating its destination. The transporter must deliver the hazardous waste in accordance with the manifest to a facility with an appropriate RCRA permit. Under RCRA, impurities removed from refrigerants consisting of oils mixed with water and other contaminants are not presumed to be hazardous waste.

The Emergency Planning and Community Right-to-Know Act of 1986 requires the annual reporting of Emergency and Hazardous Chemical Inventories (Tier II reports) to the various states in which the Company operates and to file annual Toxic Chemical Release Inventory Forms with the EPA.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, establishes liability for clean-up costs and environmental damages to current and former facility owners and operators, as well as persons who transport or arrange for transportation of hazardous substances. Almost all states have similar statutes regulating the handling and storage of hazardous substances, hazardous wastes and non-hazardous wastes. Many such statutes impose requirements, which are more stringent than their federal counterparts. The Company could be subject to substantial liability under these statutes to private parties and government entities, in some instances without any fault, for fines, remediation costs and environmental damage, as a result of the mishandling, release, or existence of any hazardous substances at any of its facilities.

The Occupational Safety and Health Act of 1970 mandates requirements for safe work place for employees and special procedures and measures for the handling of certain hazardous and toxic substances. State laws, in certain circumstances, mandate additional measures for facilities handling specified materials.

The Company believes that it is in substantial compliance with all material regulations relating to its material business operations. However, there can be no assurance that Hudson will be able to continue to comply with applicable laws, regulations and licensing requirements. Failure to comply could subject the Company to civil remedies, substantial fines, penalties, injunction, or criminal sanctions.

### Quality Assurance & Environmental Compliance

The Company utilizes in-house quality and regulatory compliance control

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

procedures. Hudson maintains its own analytical testing laboratories to assure that reclaimed refrigerants comply with ARI purity standards and employs portable testing equipment when performing on-site services to verify certain quality specifications. The Company employs three persons engaged full-time in quality control and to monitor the Company's operations for regulatory compliance.

6

### Employees

The Company has approximately 104 full time employees including air conditioning and refrigeration technicians, chemists, engineers, sales and administrative personnel.

None of the Company's employees are represented by a union. The Company believes that its employee relations are good.

### Patents and Proprietary Information

The Company holds a United States patent relating to various high-speed equipment components and a process to reclaim refrigerants, and a registered trademark for its "Zugibeast(R)". The patent expires in January 2012. The Company believes that patent protection is important to its business and has received a notice of allowance for an additional United States patent relating to a high speed refrigerant recovery process. There can be no assurance as to the breadth or degree of protection that patents may afford the Company, that any patent applications will result in issued patents or that patents will not be circumvented or invalidated. Technological development in the refrigerant industry may result in extensive patent filings and a rapid rate of issuance of new patents. Although the Company believes that its existing patents and the Company's equipment do not and will not infringe upon existing patents or violate proprietary rights of others, it is possible that the Company's existing patent rights may not be valid or that infringement of existing or future patents or violations of proprietary rights of others may occur. In the event the Company's equipment infringe or are alleged to infringe patents or other proprietary rights of others, the Company may be required to modify the design of its equipment, obtain a license or defend a possible patent infringement action. There can be no assurance that the Company will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action or that the Company will not become liable for damages.

The Company also relies on trade secrets and proprietary know-how, and employs various methods to protect its technology. However, such methods may not afford complete protection and there can be no assurance that others will not independently develop such know-how or obtain access to the Company's know-how, concepts, ideas and documentation. Failure to protect its trade secrets could have a material adverse effect on the Company.

### Item 2. Description of Properties

The Company's Baltimore, Maryland depot facility is located in a 2,700 square foot building leased from an unaffiliated third party at an annual rent of approximately \$25,600 pursuant to an agreement expiring in August 2002.

The Company's Baton Rouge, Louisiana facility is located in a 3,800 square foot building leased from an unaffiliated third party at an annual rental of approximately \$18,000 pursuant to an agreement expiring in July 2002.



## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

The Company's Haverhill (Boston), Massachusetts depot facility is located in a 3,000 square foot building leased from an unaffiliated third party at an annual rent of \$13,200 pursuant to a month to month rental agreement.

The Company's Charlotte, North Carolina facility is located in a 12,000 square foot building leased from an unaffiliated third party at an annual rent of approximately \$42,000 pursuant to a month to month rental agreement.

The Company's Villa Park (Chicago), Illinois depot facility is located in a 3,500 square foot building leased from an unaffiliated third party at an annual rent of approximately \$23,000 pursuant to an agreement expiring in August 2002.

In March 1995, the Company purchased, for \$950,000, a facility in Ft. Lauderdale, Florida, consisting of a 32,000 square foot building on approximately 1.7 acres with rail and port access. The property was mortgaged during 1996 for \$700,000. Annual real estate taxes are approximately \$24,000. The Company has principally ceased its operations at this facility and has entered into a three year lease of the entire facility at the current level of \$13,781 per month to an unaffiliated third party. On March 22, 2001, the Company completed the sale of the property to an unaffiliated third party. After payment of the then outstanding mortgage balance and transactional expenses, the Company received net proceeds of approximately \$300,000 from the sale of the property.

The Company's Ft. Myers, Florida engineering facility is located in a 15,000 square foot building leased from an unaffiliated third party at an annual rent of \$57,240 pursuant to an agreement expiring in July 2001.

The Company's Hillburn facility is located in approximately 21,000 square feet of leased industrial space at Hillburn, New York. The building is leased from an unaffiliated third party at an annual rental of approximately \$94,000 pursuant to an agreement expiring in May 2004.

7

The Company's Houston, Texas depot facility, which consists of 5,000 square feet located in a larger building, is leased from an unaffiliated third party at an annual rent of \$25,200 pursuant to an agreement which expires in June 2001.

The Company's headquarters are located in approximately 5,400 square feet of leased commercial space at Pearl River, New York. The building is leased from an unaffiliated third party pursuant to a three year agreement at an annual rental of approximately \$95,000 through January 2002.

The Company's Plainview, New York depot facility is located in a 2,000 square foot building leased from an unaffiliated third party at an annual rent of approximately \$16,920 pursuant to an agreement expiring in July 2002.

The Company's Punta Gorda, Florida separation facility is located in a 15,000 square foot building leased from an unaffiliated third party at an annual rent of \$60,000 pursuant to an agreement expiring in April 2001.

The Company's Rantoul, Illinois facility is located in a 29,000 square foot building leased from an unaffiliated third party at an annual rental of approximately \$78,000 pursuant to an agreement expiring in September 2002.

The Company's Seattle, Washington depot facility is located in a 3,000 square foot building leased from an unaffiliated third party at an annual rent of approximately \$16,200 pursuant to an agreement expiring in March 2001.

The Company typically enters into short-term leases for its facilities and

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

whenever possible extends the expiration date of such leases.

### Item 3. Legal Proceedings

In June 1998, United Water of New York Inc. ("United") commenced an action against the Company in the Supreme Court of the State of New York, Rockland County, seeking damages in the amount of \$1.2 million allegedly sustained as a result of the prior contamination of certain of United's wells within close proximity to the Company's Hillburn, New York facility, which wells showed elevated levels of refrigerant contamination, specifically Trichlorofluoromethane (R-11) and Dichlorodifluoromethane (R-12). In December 1998, United served an amended complaint asserting a claim pursuant to the Resource Conservation and Recovery Act, 42 U.S.C.ss.6901, et. seq. seq. ("RCRA").

On April 1, 1999, the Company reported a release at the Company's Hillburn, New York facility of approximately 7,800 lbs. of R-11, as a result of a failed hose connection to one of the Company's outdoor storage tanks allowing liquid R-11 to discharge from the tank into the concrete secondary containment area in which the subject tank was located. An amount of the R-11 escaped the secondary containment area through an open drain from the secondary containment area for removing accumulated rainwater and entered the ground. In April 1999, the Company was advised by United that one of its wells within close proximity to the Company's facility showed elevated levels of R-11 in excess of 200 ppb.

Between April 1999 and May 1999, with the approval of the New York State Department of Environmental Conservation ("DEC"), the Company constructed and put into operation a remediation system at the Company's facility to remove R-11 levels in the groundwater under and around the Company's facility. The cost of this remediation system was \$100,000.

In July 1999, United amended its complaint in the Rockland County action to allege facts relating to, and to seek damages allegedly resulting from the April 1, 1999 R-11 release.

In June 2000, the Rockland County Supreme Court approved a settlement of the Rockland County action commenced by United. Under the Settlement, the Company paid to United the sum of \$1,000,000 upon Court approval of the settlement, and has agreed to make monthly payments in the amount of \$5,000 for a minimum of 18 months following the settlement. The proceeds of the settlement are required to be used to fund the construction and operation by United of a new remediation tower, as well as for the continuation of temporary remedial measures implemented by United and that have successfully contained the spread of R-11. The remediation tower is expected to be completed by March 31, 2001 and is designed to treat all of United's impacted wells and restore the water to New York State drinking water standards for supply to the public. The Company carries \$1,000,000 of pollution liability insurance per occurrence and in connection with the settlement exhausted all insurance proceeds available under all applicable policies.

In June 2000, the Company signed an Order on Consent with the DEC regarding all past contamination of the United well field. Under the Order on Consent, the Company agreed to pay a \$10,000 penalty relating to the April 1, 1999 release and agreed to continue operating the remediation system installed by the Company at its Hillburn facility in May 1999 until remaining groundwater contamination has been effectively abated.

In May 2000, the Company's Hillburn facility was nominated by the United States

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Environmental Protection Agency ("EPA") for listing on the National Priorities List ("NPL"), pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The Company believes that the agreements reached with the DEC and United Water, together with the reduced levels of contamination present in the United Water wells, make such listing unnecessary and counterproductive. Hudson submitted opposition to the listing within the sixty-day comment period. To date, no final decision has been made by the EPA regarding the proposed listing.

There can be no assurance that the effects of the April 1, 1999 R-11 release, will not spread beyond the United Water well system and impact the Village of Sufferen's wells, or that the ultimate outcome of such a spread of contamination will not have a material adverse effect on the Company's financial condition and results of operations. There is also no assurance that the Company's opposition to the EPA's listing will be successful, or that the ultimate outcome of such a listing will not have a material adverse effect on the Company's financial condition and results of operations.

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable.

9

### Part II

Item 5. Market for the Common Equity and Related Stockholder Matters

The Company's Common Stock traded from November 1, 1994 to September 20, 1995 on the NASDAQ Small-Cap Market under the symbol 'HDSN'. Since September 20, 1995, the Common Stock has traded on the NASDAQ National Market. The following table sets forth, for the periods indicated the range of the high and low sale prices for the Common Stock as reported by NASDAQ.

	High	Low
1999		
o First Quarter	\$ 2 1/2	\$ 1 1/2
o Second Quarter	\$ 3 5/8	\$ 1 3/4
o Third Quarter	\$ 2 5/8	\$ 1 1/2
o Fourth Quarter	\$ 4 7/16	\$ 1 1/4
2000		
o First Quarter	\$ 2 3/4	\$ 1 1/2
o Second Quarter	\$ 2 3/4	\$ 1 3/4
o Third Quarter	\$ 3 3/4	\$ 1 5/8
o Fourth Quarter	\$ 3 11/16	\$ 1 7/16

The number of record holders of the Company's Common Stock was approximately 250

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

as of March 13, 2001. The Company believes that there are in excess of 4,000 beneficial owners of its Common Stock.

To date, the Company has not declared or paid any cash dividends on its Common Stock. The payment of dividends, if any, in the future is within the discretion of the Board of Directors and will depend upon the Company's earnings, its capital requirements and financial condition, borrowing covenants, and other relevant factors. The Company presently intends to retain all earnings, if any, to finance the Company's operations and development of its business and does not expect to declare or pay any cash dividends in the foreseeable future. In addition, the Company has entered into a credit facility with CIT Group/Credit Finance Group, Inc. ("CIT") which, among other things, restricts the Company's ability to declare or pay any dividends on its capital stock. The Company has obtained a waiver from CIT to permit the payment of dividends on its Series A Preferred Stock. The Series A Preferred Stock carries a dividend rate of 7%. The Company will pay dividends, in arrears, on the Series A Preferred Stock, semi annually, either in cash or additional shares, at the Company's option (see Item 6 "Management's Discussion and Analysis of Financial Condition and Results of Operations" - Liquidity).

10

### Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Safe Harbor Statement Under The Private Securities Litigation Reform Act of 1995

Certain statements contained in this section and elsewhere in this Form 10-KSB constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, changes in the markets for refrigerants (including unfavorable market conditions adversely affecting the demand for, and the price of refrigerants), regulatory and economic factors, seasonality, competition, litigation, the nature of supplier or customer arrangements which become available to the Company in the future, adverse weather conditions, possible technological obsolescence of existing products and services, possible reduction in the carrying value of long-lived assets, estimates of the useful life of its assets, potential environmental liability, customer concentration and other risks detailed in the Company's other periodic reports filed with the Securities and Exchange Commission. The words "believe", "expect", "anticipate", "may", "plan", and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

#### Overview

Sales of refrigerants continue to represent a significant portion of the Company's revenues. The Company believes that, in the refrigeration industry overall, there will be a trend towards lower sales prices, volume and gross profit margins on refrigerant sales in the foreseeable future, which will continue to have an adverse effect on the Company's operating results.

The Company has changed its business focus from sales of refrigerants towards service revenues through the development of a service offering known as RefrigerantSide(R) Services. These new services are offered in addition to the Company's traditional refrigerant management services, consisting principally of

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

recovery and reclamation of refrigerants used in commercial air conditioning, industrial processing and refrigeration systems. Pursuant to this change in business focus, the Company is currently implementing a strategic business plan which provides for the creation of a network of service depots and the exiting of certain operations which may not support the growth of service sales. Consistent with its plan, the Company has experienced a reduction in refrigerant sales which were primarily targeted to the automotive aftermarket industry.

During 1999 and 2001 the Company completed sales of its Series A Preferred Stock. The net proceeds of these sales were used and are being used to expand the Company's service offering through a network of service depots that provide a full range of the Company's on site RefrigerantSide(R) Services and to provide working capital. Management believes that its RefrigerantSide(R) Services represent the Company's long term growth potential. However, while the Company believes it will experience an increase in revenues from its RefrigerantSide(R) Services, in the short term, such an increase will not be sufficient to offset a substantial reduction in refrigerant revenue. The Company expects that it will incur additional expenses and losses during the year related to the continued development of its depot network.

The change in business focus towards revenues generated from service may cause a material reduction in revenues derived from the sale of refrigerants. In addition, to the extent that the Company is unable to obtain refrigerants on commercially reasonable terms or experiences a decline in demand for refrigerants, the Company could realize reductions in refrigerant processing, and possible loss of revenues which would have a material adverse effect on its operating results.

### Results of Operations

Year ended December 31, 2000 as compared to year ended December 31, 1999

Revenues for 2000 were \$15,455,000, a decrease of \$2,454,000 or 14% from the \$17,909,000 reported during the comparable 1999 period. The decrease in revenues was primarily attributable to a decrease in refrigerant sales offset, in part, by an increase in RefrigerantSide(R) Services revenue. The decrease in refrigerant revenue is related to a decrease in the sales of refrigerant primarily to the automotive aftermarket industry. The increase in RefrigerantSide(R) Service revenues reflects growth through the development of the Company's depot network.

Cost of sales for 2000 was \$10,397,000, a decrease of \$3,724,000 or 26% from the \$14,121,000 reported during the comparable 1999 period primarily due to lower costs of certain refrigerants purchased by the Company and a lower volume of refrigerant revenues. As a percentage of sales, cost of sales were 67% of revenues for 2000, a decrease from

11

the 79% reported for the comparable 1999 period. The decrease in cost of sales as a percentage of revenues was primarily attributable to the increase in the sale price of certain refrigerants and the increase in RefrigerantSide(R) Service revenues.

Operating expenses for 2000 were \$7,465,000, an increase of \$70,000 or 1% from the \$7,395,000 reported during the comparable 1999 period. The increase was primarily attributable to an increase in selling expenses associated with the expansion of the Company's RefrigerantSide(R) Service offering offset, in part, by a decrease in rental and depreciation and amortization expense.

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Other income (expense) for 2000 was \$11,000, compared to the \$(348,000) reported during the comparable 1999 period. Other income (expense) includes interest expense of \$501,000 and \$454,000 for 2000 and 1999, respectively, offset by other income of \$512,000 and \$106,000 for 2000 and 1999, respectively. The increase in interest expense is primarily attributed to an increase in borrowings and interest rates during 2000 as compared to 1999. Other income primarily relates to lease rental income, interest income and gain from the sale of the balance of the Company's ownership interest in Environmental Support Solutions, Inc. ("ESS").

No income taxes for the years ended December 31, 2000 and 1999 were recognized. The Company recognized a reserve allowance against the deferred tax benefit for the 2000 and 1999 losses. The tax benefits associated with the Company's net operating loss carry forwards would be recognized to the extent that the Company recognizes net income in future periods. A portion of the Company's net operating loss carry forwards are subject to annual limitations (see Note 4 to the Notes to the Consolidated Financial Statements).

Net loss for 2000 was \$2,396,000 a decrease of \$1,559,000 from the \$3,955,000 net loss reported during the comparable 1999 period. The reduction in net loss was primarily attributable to an increase in the gross profit margins on certain refrigerant sales and an increase in RefrigerantSide(R) Service revenues.

### Liquidity and Capital Resources

At December 31, 2000, the Company had a working capital deficit of approximately \$456,000, a decrease of \$2,133,000 from the working capital of \$1,677,000 at December 31, 1999. The reduction in working capital is primarily attributable to the net losses incurred during the year ended December 31, 2000. On a pro forma basis, the Company had working capital of \$2,469,000. The increase in pro forma working capital was due to the February 16, 2001 sale of the Company's Series A Preferred Stock with net proceeds of \$2,925,000. A principal component of current assets is inventory. At December 31, 2000, the Company had inventories of \$1,901,000, a decrease of \$579,000 or 23% from the \$2,480,000 at December 31, 1999. The Company's ability to sell and replace its inventory on a timely basis and the prices at which it can be sold are subject, among other things, to current market conditions and the nature of supplier or customer arrangements (see "Seasonality and Fluctuations in Operating Results"). In recent years, the Company has financed its working capital requirements through cash flows from operations, the issuance of debt and equity securities and bank borrowings.

Net cash used by operating activities for the year ended December 31, 2000, was \$727,000 compared with net cash used by operating activities of \$3,442,000 for the comparable 1999 period. Net cash used by operating activities was primarily attributable to the increase in trade receivables and by the net loss for the 2000 period offset by a decrease in inventories and an increase in accounts payable and accrued expenses.

Net cash used by investing activities for the year ended December 31, 2000, was \$853,000 compared with net cash used by investing activities of \$1,822,000 for the prior comparable 1999 period. The net cash usage primarily consisted of equipment additions primarily associated with the expansion of the Company's depot network.

Net cash used by financing activities for the year ended December 31, 2000, was \$40,000 compared with net cash provided by financing activities of \$6,971,000 for the comparable 1999 period. The net cash used by financing activities primarily consisted of repayment of long term debt for the 2000 period.

At December 31, 2000, the Company had cash and equivalents of \$863,000.

During 1996, the Company mortgaged its property and building located in Ft.

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Lauderdale with Turnberry Savings Bank, NA. The mortgage of \$644,000, at December 31, 2000, bore interest at the rate of 10.125% and was repayable over 20 years through January 2017. The Company had principally ceased its operations at this facility and had entered into a three year lease of the entire facility at the current level of \$13,781 per month to an unaffiliated third party. On March 22, 2001, the Company completed the sale of the property to an unaffiliated third party. After payment of the then outstanding mortgage balance and transactional expenses, the Company received net proceeds of approximately \$300,000 from the sale of the property.

12

During January 1997, in connection with the execution of various agreements with DuPont, the Company obtained additional equity funds of \$3,500,000 from an affiliate of DuPont. The proceeds were primarily utilized to retire debt.

The Company has entered into a credit facility with CIT which provides for borrowings to the Company of up to \$6,500,000. The facility requires minimum borrowings of \$1,250,000. The facility provides for a revolving line of credit and a six-year term loan and expires in April 2003. Advances under the revolving line of credit are limited to (i) 80% of eligible trade accounts receivable and (ii) 50% of eligible inventory (which inventory amount shall not exceed 200% of eligible trade accounts receivable or \$3,250,000). As of December 31, 2000, the Company had availability under its revolving line of credit of approximately \$577,000. Advances available to the Company under the term loan are based on existing fixed asset valuations and future advances under the term loan up to an additional \$1,000,000 are based on future capital expenditures. During 1999, the Company received advances of \$166,000 based on capital expenditures. As of December 31, 2000, the Company has approximately \$675,000 outstanding under its term loans and \$1,734,000 outstanding under its revolving line of credit. The facility bears interest at the prime rate plus 1.5%, 11% at December 31, 2000, and substantially all of the Company's assets are pledged as collateral for obligations to CIT. In addition, among other things, the agreements restrict the Company's ability to declare or pay any dividends on its capital stock. The Company has obtained a waiver from CIT to permit the payment of dividends on its Series A Preferred Stock.

In connection with the loan agreements, the Company issued to CIT warrants to purchase 30,000 shares of the Company's common stock at an exercise price equal to 110% of the then fair market value of the stock, which on the date of issuance was \$4.33 per share, and which expires April 29, 2001. The value of the warrants were not deemed to be material.

Effective March 19, 1999, the Company sold 75% of its stock ownership in ESS to one of ESS's founders. The consideration for the Company's sale of its interest was \$100,000 in cash and a six year 6% interest bearing note in the amount of \$380,000. The Company will recognize as income the portion of the proceeds associated with the net receivables upon the receipt of cash. This sale did not have a material effect on the Company's financial condition or results of operation. Effective October 11, 1999, the Company sold to three of ESS's employees an additional 5.4% ownership in ESS. The Company received \$37,940 from the sale of this additional ESS stock. Effective April 18, 2000, ESS redeemed the balance of the Company's stock ownership in ESS. The Company received cash in the amount of \$188,000 from the redemption.

The Company continues to evaluate opportunities to rationalize its operating facilities based on its emphasis on the expansion of its service sales. As a result, the Company may discontinue certain operations which it believes do not support the growth of service sales and, in doing so, may incur future charges to exit certain operations.

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

On March 30, 1999, the Company completed the sale of 65,000 shares of its Series A Preferred Stock, with a liquidation value of \$100 per share, to Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P. The gross proceeds from the sale of the Series A Preferred Stock were \$6,500,000. The Series A Preferred Stock converts to Common Stock at a rate of \$2.375 per share, which was 27% above the closing market price of Common Stock on March 29, 1999.

On February 16, 2001, the Company completed the sale of 30,000 shares of its Series A Preferred Stock, with a liquidation value of \$100 per share, to Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P. The gross proceeds from the sale of the Series A Preferred Stock were \$3,000,000. The Series A Preferred Stock converts to Common Stock at a rate of \$2.375 per share, which was 23% above the closing market price of Common Stock on February 15, 2001.

The Series A Preferred Stock has voting rights on an as-if converted basis. The number of votes applicable to the Series A Preferred Stock is equal to the number of shares of Common Stock into which the Series A Preferred Stock is then convertible. However, the holders of the Series A Preferred Stock will provide the Chief Executive Officer and the Secretary of the Company a proxy to vote all shares currently owned and subsequently acquired above 29% of the votes entitled to be cast by all shareholders of the Company. The Preferred Stock carries a dividend rate of 7%. The conversion rate may be subject to certain antidilution provisions. The Company has used and will use the net proceeds from the issuance of the Series A Preferred Stock to expand its RefrigerantSide(R) Services business and for working capital purposes.

The Company pays dividends, in arrears, on the Series A Preferred Stock, semi annually, either in cash or additional shares, at the Company's option. On September 30, 2000, the Company declared and paid, in-kind, the dividends outstanding on the Series A Preferred Stock. The Company issued a total of 2,483 additional shares of its Series A

13

Preferred Stock in satisfaction of the dividends due. The Company may redeem the Series A Preferred Stock on March 31, 2004 either in cash or shares of Common Stock valued at 90% of the average trading price of the Common Stock for the 30 days preceding March 31, 2004. In addition, after March 30, 2001, the Company may call the Series A Preferred Stock if the market price of its Common Stock is equal to or greater than 250% of the conversion price and the Common Stock has traded with an average daily volume in excess of 20,000 shares for a period of thirty consecutive days.

The Company has provided certain registration, preemptive and tag along rights to the holders of the Series A Preferred Stock. The holders of the Series A Preferred Stock, voting as a separate class, have the right to elect up to two members to the Company's Board of Directors or at their option, to designate up to two advisors to the Company's Board of Directors who will have the right to attend and observe meetings of the Board of Directors. Currently, the holders have elected two members to the Board of Directors, Messers. Robert Burr and Robert Zech.

The Company believes that its anticipated cash flow from operations, together with the proceeds from the sale of its Preferred Stock, and its credit facility, will be sufficient to satisfy the Company's working capital requirements and proposed expansion of its service business for the foreseeable future. However, any unanticipated expenses or lack of expected revenues from the Company's



## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

depots or additional expansion or acquisition costs that may arise in the future would affect the Company's future capital needs. There can be no assurances that the Company's proposed or future plans will be successful, and as such, the Company may have future capital needs.

### Inflation

Inflation has not historically had a material impact on the Company's operations.

### Reliance on Suppliers and Customers

The Company's financial performance is in part dependent on its ability to obtain sufficient quantities of virgin and reclaimable refrigerants from manufacturers, wholesalers, distributors, bulk gas brokers, and from other sources within the air conditioning and refrigeration and automotive aftermarket industries, and on corresponding demand for refrigerants. To the extent that the Company is unable to obtain sufficient quantities of refrigerants in the future, or resell reclaimed refrigerants at a profit, the Company's financial condition and results of operations would be materially adversely affected. The loss of a principal customer would have a material adverse effect on the Company.

During the year ended December 31, 2000, one customer accounted for 13% of the Company's revenues. During the year ended December 31, 1999, one customer accounted for 17% of the Company's revenues. The loss of a principal customer or a decline in the economic prospects and purchases of the Company's products or services by any such customer would have a material adverse effect on the Company's financial position and results of operations.

### Seasonality and Fluctuations in Operating Results

The Company's operating results vary from period to period as a result of weather conditions, requirements of potential customers, non-recurring refrigerant and service sales, availability and price of refrigerant products (virgin or reclaimable), changes in reclamation technology and regulations, timing in introduction and/or retrofit or replacement of CFC-based refrigeration equipment by domestic users of refrigerants, the rate of expansion of the Company's operations, and by other factors. The Company's business has historically been seasonal in nature with peak sales of refrigerants occurring in the first half of each year. During past years, the seasonal decrease in sales of refrigerants have resulted in additional losses during the second half of the year. Delays in securing adequate supplies of refrigerants at peak demand periods, lack of refrigerant demand, increased expenses, declining refrigerant prices and a loss of a principal customer could result in significant losses. There can be no assurance that the foregoing factors will not occur and result in a material adverse effect on the Company's financial position and significant losses. With respect to the Company's RefrigerantSide(R) Services, to date, the Company has not identified any seasonal pattern. However, the Company could experience a seasonal element to this portion of its business in the future.

### Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principals to revenue recognition in financial statements. SAB 101 was adopted in 2000 and had no material impact on the Company's revenue recognition policy.

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

### Item 7. Financial Statements.

The financial statements appear in a separate section of this report following Part III.

### Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

15

### Part III

### Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

The following table sets forth information with respect to the directors and officers of the Company:

Name	Age	Position
Kevin J. Zugibe	37	Chairman of the Board; President and Chief Executive Officer
Thomas P. Zugibe	48	Executive Vice President and Director
Stephen P. Mandracchia	41	Executive Vice President, Secretary and Director
Brian F. Coleman	39	Vice President and Chief Financial Officer
Walter A. Phillips	48	Vice President Marketing and Strategic Planning
Vincent Abbatecola	54	Director
Robert L. Burr	50	Director
Dominic J. Monetta	59	Director
Otto C. Morch	67	Director
Harry C. Schell	66	Director
Robert M. Zech	35	Director

Kevin T. Zugibe, P.E. is a founder of the Company and has been a director, President and Chief Executive Officer of the Company since its inception in 1991. Since May 1994, Mr. Zugibe has devoted his full business time to the Company's affairs. From May 1987 to May 1994, Mr. Zugibe was employed as a power engineer with Orange and Rockland Utilities, Inc. Mr. Zugibe is a licensed professional engineer, and from December 1990 to May 1994, he was a member of Kevin J. Zugibe & Associates, a professional engineering firm. Kevin J. Zugibe and Thomas P. Zugibe are brothers.

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Thomas P. Zugibe has been a Vice President of the Company since its inception in 1991 and a director since April 1995. Mr. Zugibe is responsible for overseeing the day to day operations of the Company. He has been engaged in the practice of law in the State of New York since 1980 and is on extended leave from the law firm of Ferraro, Zugibe, and Albrecht, Garnerville, New York.

Stephen P. Mandracchia has been a Vice President of the Company since January 1993 and Secretary of the Company since April 1995. Mr. Mandracchia served as a director from June 1994 until August 1996 and was reelected to the Board of Directors in August 1999. Mr. Mandracchia is responsible for corporate, administrative and regulatory legal affairs of the Company. Mr. Mandracchia was a member of the law firm of Martin, Vandewalle, Donohue, Mandracchia & McGahan, Great Neck, New York until December 31, 1995 (having been affiliated with such firm since August 1983). Stephen P. Mandracchia is the brother in-law of Kevin J. Zugibe and Thomas P. Zugibe.

Brian F. Coleman has been Vice President and Chief Financial Officer of the Company since May 1997. Prior to joining the Company, Mr. Coleman was employed by and since July 1995, was a partner with BDO Seidman, LLP, the Company's independent auditors.

Walter A. Phillips has been Vice President of Marketing and Strategic Planning of the Company since October 1996. Prior to joining the Company, Mr. Phillips was employed in various sales and marketing roles with York International.

Vincent P. Abbatecola has been a director of the Company since June 1994. Mr. Abbatecola is the owner of Abbey Ice & Spring Water Company, Spring Valley, New York, where he has been employed since May 1971.

Robert L. Burr has been a Director of the Company since August 1999. Mr. Burr is a Partner of Fleming US Discovery Partners, L.P., a private equity sponsor affiliated with J.P. Morgan Chase & Co. Fleming US Discovery Partners, L.P. is the general partner of Fleming US Discovery Funds III, L.P. and Flemming US Discovery Offshore Fund III, L.P. Mr. Burr has been employed by J.P. Morgan Chase & Co. since 1995. From 1992 to 1995, Mr. Burr was head of Private Equity at Kidder, Peabody & Co., Inc. Previously, Mr. Burr served as the Managing General Partner of Morgan Stanley Ventures and General Partner of Morgan Stanley Venture Capital Fund I, L.P. and was a corporate lending officer with Citibank, N.A. Mr. Burr serves on the Board of Directors of Caliber Learning, Inc.

Dominic J. Monetta has been a director of the Company since April 1996. Since August 1993, Mr. Monetta has been the President of Resource Alternatives, Inc., a corporate development firm concentrating on solving management and technological problems facing chief executive officers and their senior executives. From December 1991 to May 1993, Mr. Monetta served as the Director of Defense Research and Engineering for Research and Advanced Technology for the

United States Department of Defense. From June 1989 to December 1991, Mr. Monetta served as the Director of the Office of New Production Reactors of the United States Department of Energy.

Otto C. Morch has been a director of the Company since March 1996. Mr. Morch was a Senior Vice President, of Commercial Banking at Provident Bank and retired from that position in December 1997.

Harry C. Schell has been a director of the Company since August 1998. Mr. Schell is the former chairman and chief executive officer of BICC Cables Corporation,

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

and has served on the board of directors of the BICC Group (London), Phelps Dodge Industries, the National Electrical Manufacturers Association and the United Way of Rockland (New York).

Robert M. Zech has been a Director of the Company since June 1999. Mr. Zech is a Partner of Fleming US Discovery Partners, L.P., a private equity sponsor affiliated with J.P. Morgan Chase & Co. Fleming US Discovery Partners, L.P. is the General Partner of Fleming US Discovery Funds III, L.P. and Fleming US Discovery Offshore Fund III, L.P. Mr. Zech has been employed by J.P. Morgan Chase & Co. since 1996. From 1994 to 1996, Mr. Zech was an Associate with Cramer Rosenthal McGlynn Inc., an investment management firm. Previously Mr. Zech served as an Associate with Wolfensohn & Co., a mergers & acquisitions advisory firm, and was a Financial Analyst at leveraged buyout sponsor Merrill Lynch Capital Partners, Inc. and in the investment banking division of Merrill Lynch & Co. Mr. Zech serves on the Board of Directors of Displaytech, Inc.

The Company has established a Compensation /Stock Option Committee of the Board of Directors, which is responsible for recommending the compensation of the Company's executive officers and for the administration of the Company's Stock Option Plans. The members of the Committee are Messrs. Abbatecola, Burr, Morch and Schell. The Company also has an Audit Committee of the Board of Directors, which supervises the audit and financial procedures of the Company. The members of the Audit Committee are Messrs. Abbatecola, Morch and Zech. The Company also has an Executive Committee of the Board of Directors, which is authorized to exercise the powers of the board of directors in the general supervision and control of the business affairs of the Company during the intervals between meetings of the board. The members of the Executive Committee are Messrs. Schell, Zech and Kevin J. Zugibe. The Company's Occupational, Safety And Environmental Protection Committee is responsible for satisfying the Board that the Company's Environmental, Health and Safety policies, plans and procedures are adequate. The members of the Occupational, Safety and Environmental Protection Committee are Messrs. Mandracchia, Monetta and Thomas P. Zugibe.

The By-laws of the Company provide that the Board of Directors is divided into two classes. Each class is to have a term of two years, with the term of each class expiring in successive years, and is to consist, as nearly as possible, of one-half of the number of directors constituting the entire Board. The By-laws provide that the number of directors shall be fixed by the Board of Directors but in any event, shall be no less than seven (7) (subject to decrease by a resolution adopted by the shareholders). In 1999, the Board of Directors was increased to nine members. At the Company's August 24, 2000 Annual Meeting of the Shareholders, Messrs. Monetta, Schell, Zech and Kevin J. Zugibe, were elected as directors to terms of office that will expire at the Annual Meeting of Shareholders to be held in the year 2002. Messrs. Abbatecola, Burr, Mandracchia, Morch and Thomas P. Zugibe are currently serving as directors and whose terms of office expire at the Annual Meeting of the Shareholders to be held in the year 2001.

### Compliance with Section 16(a) of the Securities Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10 percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors, and greater than 10 percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company's review of the copies of such forms received by the Company, the Company believes that during the year ended December 31, 2000 all filing requirements applicable to its officers, directors, and greater than 10 percent beneficial stockholders were complied with.

Item 10. Executive Compensation

The following table discloses, for the years indicated, the compensation for the Company's Chief Executive Officer and each executive officer that earned over \$100,000 during the year ended December 31, 2000 (the "Named Executives").

Summary Compensation Table

Name	Position	Year	Annual Compensation(1)	
			Salary	Bonus
Kevin J. Zugibe	Chairman of the Board, President and Chief Executive Officer	2000	\$ 80,981	--
		1999	\$136,279	--
		1998	\$134,800	--
Thomas P. Zugibe	Executive Vice President	2000	\$110,338	--
		1999	\$104,800	--
		1998	\$104,800	--
Stephen P. Mandracchia	Executive Vice President and Secretary	2000	\$113,415	--
		1999	\$108,124	--
		1998	\$104,800	--
Walter A. Phillips	Vice President Marketing and Strategic Planning	2000	\$161,077	--
		1999	\$160,781	--
		1998	\$148,312	--
Brian F. Coleman	Vice President and Chief Financial Officer	2000	\$151,047	--
		1999	\$138,124	--
		1998	\$124,900	--

(1) The value of personal benefits furnished to the Named Executives during 1998, 1999 and 2000 did not exceed 10% of their respective annual compensation.

The Company granted options, which, except as otherwise set forth below, vest 50% upon the date of grant and 50% on the first anniversary of the grant date, to the Named Executives during the fiscal year ended December 31, 2000, as shown in the following table:

Summary of Stock Options Granted to Named Executives

Number of Securities Underlying Options	% of Total Options Granted to Employees in Fiscal
--	---

Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Name	Position	Granted Shares	year Percent	Exercise or Base price (\$/
Kevin J. Zugibe	Chairman, President and Chief Executive Officer	140,000 (1)	24%	\$2.375
Thomas P. Zugibe	Executive Vice President	102,500 (1)	17%	\$2.375
Stephen P. Mandracchia	Executive Vice President	77,500 (1)	13%	\$2.375
Walter A. Phillips	Vice President of Marketing and Strategic Operations	37,500	6%	\$2.375
Brian F. Coleman	Vice President and Chief Financial Officer	37,500	6%	\$2.375

(1) Of these options, 40,000 vest on August 3, 2000 and the balance vest 50% upon the date of grant and 50% on the anniversary of the grant date.

18

Aggregated Fiscal Year End Option Values Table

The following table sets forth information concerning the value of unexercised stock options held by the Named Executives at December 31, 2000. No options were exercised by the Named Executives during the fiscal year ended December 31, 2000.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options At December 31, 2000	
			Exercisable	Unexercisable
Kevin J. Zugibe Chairman; President and Chief Executive Officer	--	--	181,000	58,000
Thomas P. Zugibe Executive Vice President	--	--	137,250	31,250
Stephen P. Mandracchia Executive Vice President And Secretary	--	--	124,750	18,750
Walter A. Phillips Vice President of Marketing & Strategic Planning	--	--	66,750	18,750

Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Brian F. Coleman  
Vice President and Chief  
Financial Officer

--

--

86,750

18,750

-----  
(1) Year-end values of unexercised in-the-money options represent the positive spread between the exercise price of such options and the year-end market value of the Common Stock of \$1.563.

Compensation of Directors

Non-employee directors receive an annual fee of \$3,000 and receive reimbursement for out-of-pocket expenses incurred, and an attendance fee of \$500 and \$250, respectively, for attendance at meetings of the Board of Directors and Board committee meetings. In addition, commencing in August 1998, non-employee directors receive 5,000 nonqualified stock options per year of service under the Company's Stock Option Plans.

To date, the Company has granted to Harry C. Schell nonqualified options to purchase 30,000 shares of Common Stock at exercise prices ranging from \$2.38 to \$3.00 per share. Such options vested and are fully exercisable as of December 31, 2000. The Company has also granted to each of Dominic J. Monetta, Otto Morch and Vincent Abbatecola, nonqualified options to purchase 15,000 shares of Common Stock at exercise prices ranging from \$2.38 to \$3.00 per share. Such options vested and are fully exercisable as of December 31, 2000. In addition, in connection with the appointment of two of their nominees as members of the Board of Directors, the Company has granted to Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P. nonqualified options to purchase 17,236 and 2,764 shares of common stock at an exercise price of \$2.38 per share. All such options issued to the directors are vested and fully exercisable at December 31, 2000.

Employment Agreements

The Company has entered into a two-year employment agreement with Kevin J. Zugibe, which expires in May 2003 and is automatically renewable for two successive terms. Pursuant to the agreement, effective February 1, 2000, Mr. Zugibe is receiving an annual base salary of \$130,000 with such increases and bonuses as the Board may determine. The Board of Directors and Mr. Zugibe have agreed to reduce the cash compensation and issue additional stock options to Mr. Zugibe in satisfaction of his annual base salary. The Company is the beneficiary of a "key-man" insurance policy on the life of Mr. Zugibe in the amount of \$1,000,000.

Stock Option Plan

1994 Stock Option Plan

The Company has adopted an Employee Stock Option Plan (the "Plan") effective October 31, 1994 pursuant to which 725,000 shares of Common Stock are currently reserved for issuance upon the exercise of options designated as either (i) options intended to constitute incentive stock options ("ISOs") under the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) nonqualified options. ISOs may be granted under the Plan to employees and officers of the

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Company. Non-qualified options may be granted to consultants, directors (whether or not they are employees), employees or officers of the Company. Stock appreciation rights may also be issued in tandem with stock options.

The Plan is intended to qualify under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is administered by a committee of the Board of Directors, which currently consists of Messrs. Abbatecola, Burr, Morch and Schell. The committee, within the limitations of the Plan, determines the persons to whom options will be granted, the number of shares to be covered by each option, whether the options granted are intended to be ISOs, the duration and rate of exercise of each option, the exercise price per share and the manner of exercise and the time, manner and form of payment upon exercise of an option. Unless sooner terminated, the Plan will expire on December 31, 2004.

ISOs granted under the Plan may not be granted at a price less than the fair market value of the Common Stock on the date of grant (or 110% of fair market value in the case of persons holding 10% or more of the voting stock of the Company). The aggregate fair market value of shares for which ISOs granted to any employee are exercisable for the first time by such employee during any calendar year (under all stock option plans of the Company) may not exceed \$100,000. Non-qualified options granted under the Plan may not be granted at a price less than 85% of the market value of the Common Stock on the date of grant. Options granted under the Plan will expire not more than ten years from the date of grant (five years in the case of ISOs granted to persons holding 10% or more of the voting stock of the Company). All options granted under the Plan are not transferable during an optionee's lifetime but are transferable at death by will or by the laws of descent and distribution. In general, upon termination of employment of an optionee, all options granted to such person which are not exercisable on the date of such termination immediately terminate, and any options that are exercisable terminate 90 days following termination of employment.

As of December 31, 2000, options to purchase 356,266 shares of Common Stock were issued under the Plan. During 2000, the Company granted options to purchase 40,000 shares each to Kevin J. Zugibe, Stephen P. Mandracchia and Thomas P. Zugibe exercisable at \$2.375 per share. Such options vest and are fully exercisable as of August 3, 2000 (see Note 11 to the Notes to the Consolidated Financial Statements).

### 1997 Stock Option Plan

The Company has adopted the 1997 Stock Option Plan (the "1997 Plan"), pursuant to which 2,000,000 shares of Common Stock are currently reserved for issuance upon the exercise of options designated as either (i) ISOs under the Code, or (ii) nonqualified options. ISOs may be granted under the 1997 Plan to employees and officers of the Company. Nonqualified options may be granted to consultants, directors (whether or not they are employees), employees or officers of the Company. Stock appreciation rights may also be issued in tandem with stock options.

The 1997 Plan is intended to qualify under Rule 16b-3 under the Exchange Act and is administered by a committee of the Board of Directors, which currently consists of Messrs. Abbatecola, Burr, Morch and Schell. The committee, within the limitations of the 1997 Plan, determines the persons to whom options will be granted, the number of shares to be covered by each option, whether the options granted are intended to be ISOs, the duration and rate of exercise of each option, the exercise price per share and the manner of exercise and the time, manner and form of payment upon exercise of an option. Unless sooner terminated, the 1997 Plan will expire on June 11, 2007.

ISOs granted under the 1997 Plan may not be granted at a price less than the fair market value of the Common Stock on the date of grant (or 110% of fair



## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

market value in the case of persons holding 10% or more of the voting stock of the Company). The aggregate fair market value of shares for which ISOs granted to any employee are exercisable for the first time by such employee during any calendar year (under all stock option plans of the Company) may not exceed \$100,000. Nonqualified options granted under the 1997 Plan may not be granted at a price less than the par value of the Common Stock. Options granted under the 1997 Plan will expire not more than ten years from the date of grant (five years in the case of ISOs granted to persons holding 10% or more of the voting stock of the Company). Except as otherwise provided by the committee with respect to Nonqualified options, all options granted under the 1997 Plan are not transferable during an optionee's lifetime but are transferable at death by

20

will or by the laws of descent and distribution. In general, upon termination of employment of an optionee, all options granted to such person which are not exercisable on the date of such termination immediately terminate, and any options that are exercisable terminate 90 days following termination of employment.

As of December 31, 2000, the Company had granted options to purchase 1,241,816 shares of Common Stock under the 1997 Plan. During 1998, the Company granted non-qualified options to purchase 40,000, 25,000, and 25,000 shares at an exercise price of \$3.00 per share to Kevin J. Zugibe, Stephen P. Mandracchia and Thomas P. Zugibe, respectively. Such options vested on August 31, 1998. In addition during 1998, the Company also granted options to purchase 420,666 shares to certain officers, directors and employees, exercisable at prices ranging from \$2.50 to \$4.375 per share. During 1999, the Company granted options to purchase 1,000, 1,000 and 1,000 shares at an exercise price of \$2.00 per share to Kevin J. Zugibe, Stephen P. Mandracchia and Thomas P. Zugibe, respectively. Such options vested and are fully exercisable as of November 3, 2000; November 3, 1999 and November 3, 1999, respectively. In addition, during 1999, the Company also granted options to purchase 153,500 shares to certain officers, directors and employees, exercisable at prices ranging from \$1.781 to \$2.63 per share. During 2000, the Company granted options to purchase 100,000 shares at an exercise price of \$2.375 per share to Kevin J. Zugibe, which options vest at a rate of 50% upon issuance and 50% on the first anniversary date, and which become exercisable as follows: 14,500 on 8/4/00, 27,500 on 11/3/00, 14,500 on 8/4/01, 27,000 on 11/3/01, 14,500 on 8/4/02 and 2,000 on 11/2/02. During 2000, the Company granted options to purchase 37,500 and 62,500 shares at an exercise price of \$2.375 per share to Stephen P. Mandracchia and Thomas P. Zugibe, respectively. Such options vest at a rate of 50% upon issuance and 50% on the first anniversary date. In addition, during 2000, the Company also granted options to purchase 269,250 shares to certain officers, directors and employees, exercisable at prices ranging from \$2.375 to \$2.78 per share (see Note 11 to the Notes to the Consolidated Financial Statements).

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth information as of March 13, 2001 based on information obtained from the persons named below, with respect to the beneficial ownership of the Company's Common Stock by (i) each person known by the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Stock, (ii) the Named Executives, (iii) each director of the Company, and (iv) all directors and executive officers of the Company as a group:

Amount and

Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Name and Address of Beneficial Owner (1)	Nature of Beneficial Ownership (2)	Percentage of Common Shares Owned
-----	-----	-----
Kevin J. Zugibe	418,728 (3)	7.9%
Thomas P. Zugibe	376,918 (4)	7.2%
Stephen P. Mandracchia	358,978 (5)	6.9%
Walter A. Phillips	66,750 (6)	*
Brian F. Coleman	89,750 (7)	*
Vincent P. Abbatecola	20,000 (8)	*
Robert L. Burr	0 (12)	*
Dominic J. Monetta	25,000 (8)	*
Otto C. Morch	15,600 (8)	*
Harry C. Schell	59,000 (9)	*
Robert M. Zech	0 (12)	*
DuPont Chemical and Energy Operations, Inc.	500,000 (10)	9.8%
Fleming Funds	3,059,789 (11)	37.5%
All directors and executive officers as a group (11 persons)	1,430,724 (13)	24.8%

\* = Less than 1%

(1) Unless otherwise indicated, the address of each of the persons listed above is the address of the Company, 275 North Middletown Road, Pearl River, New York 10965.

(2) A person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from March 13, 2001. Each beneficial owner's percentage ownership is determined by assuming that options and warrants that are held by such person (but not held by any other person) and which are exercisable within 60 days from March 13, 2001

21

have been exercised. Unless otherwise noted, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common stock beneficially owned by them.

(3) Includes (i) 40,000 shares which may be purchased at \$4.47 per share; (ii) 40,000 shares which may be purchased at \$3.00 per share; (iii) 18,000 shares which may be purchased at \$3.85 per share; (iv) 1,000 shares which may be purchased at \$2.00 per share; (v) 40,000 shares that may be purchased at \$2.375 per share; and (vi) 42,000 shares which may be purchased at \$2.375 per share under immediately exercisable options. Does not give effect to any voting rights held by Mr. Zugibe as a result of the Company's agreement with the holders of the Series A Preferred Stock as discussed in (11) below.

(4) Includes (i) 25,000 shares which may be purchased at \$4.47 per share; (ii) 15,000 shares which may be purchased at \$3.85 per share (iii) 25,000 shares which may be purchased at \$3.00 per share; (iv) 1,000 shares which may be purchased at \$2.00 per share; (v) 40,000 shares which may be purchased at \$2.375 per share; and (vi) 31,250 shares which may be purchased at \$2.375 per share under immediately exercisable options.

(5) Includes (i) 25,000 shares which may be purchased at \$4.47 per share; (ii) 15,000 shares which may be purchased at \$3.85 per share (iii) 25,000 shares

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

which may be purchased at \$3.00 per share; (iv) 1,000 shares which may be purchased at \$2.00 per share; (v) 40,000 shares which may be purchased at \$2.375 per share; and (vi) 18,750 shares which may be purchased at \$2.375 per share under immediately exercisable options. Does not give effect to any voting rights held by Mr. Mandracchia as a result of the Company's agreement with the holders of the Series A Preferred Stock as discussed in (11) below.

(6) Represents (i) 15,000 shares which may be purchased at \$5.625 per share; (ii) 10,000 shares which may be purchased at \$4.06 per share; (iii) 12,000 shares which may be purchased at \$3.50 per share; (iv) 10,000 shares which may be purchased at \$3.06 per share; (v) 1,000 shares which may be purchased at \$1.78 per share; and (vi) 18,750 shares which may be purchased at \$2.375 per share under immediately exercisable options.

(7) Represents (i) 30,000 shares which may be purchased at \$4.06 per share; (ii) 12,000 shares which may be purchased at \$3.50 per share; (iii) 25,000 shares which may be purchased at \$2.50 per share; (iv) 1,000 shares which may be purchased at \$1.78 per share; and (v) 18,750 shares which may be purchased at \$2.375 per share under immediately exercisable options.

(8) Includes 5,000 shares which may be purchased at \$3.00 per share; 5,000 shares which may be purchased at \$2.375 per share; and 5,000 shares which may be purchased at \$2.785 per share under immediately exercisable options.

(9) Includes 10,000 shares which may be purchased at \$3.00 per share; 10,000 shares which may be purchased at \$2.375 per share; and 10,000 shares which may be purchased at \$2.785 per share under immediately exercisable options.

(10) According to a Schedule 13D filed with the Securities and Exchange Commission, DuPont Chemical and Energy Operations, Inc. ("DCEO") and E.I. DuPont de Nemours and Company claim shared voting and dispositive power over the shares. DCEO's address is DuPont Building, Room 8045, 1007 Market Street, Wilmington, DE 19898.

(11) Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P., and their general partner, Fleming US Discovery Partners, L.P. and its general partner, Fleming US Discovery Partners LLC, collectively referred to as ("Flemings Funds") are affiliates. The beneficial ownership of the Flemings Funds assumes the conversion of Series A Preferred Stock owned by the Flemings Funds (which constitutes all of the outstanding Series A Preferred Stock) to Common Stock at a conversion rate of \$2.375 per share. The holders of shares of Series A Preferred Stock vote together with the holders of the Common Stock based upon the number of shares of common stock into which the Series A Preferred Stock is then convertible. The Flemings Funds has provided to the Chief Executive Officer and Secretary of the Company a Proxy to vote that number of voting shares held by the Flemings Funds which exceed 29% of the then voting shares. Also includes 10,000 shares which may be purchased at \$2.375 per share; and 10,000 shares which may be purchased at \$2.785 per share under immediately exercisable options. The address of all the Flemings Funds is c/o J.P. Morgan & Chase Co., 1211 Avenue of the Americas, 38th Floor, New York, New York 10036, except for the Fleming US Discovery Offshore Fund III, L.P. whose address is c/o Bank of Bermuda LTD., 6 Front Street, Hamilton HM11 Bermuda.

(12) Messers. Burr and Zech have been appointed directors by the Flemings Funds. Their share ownership excludes all shares of Common Stock beneficially owned by the Flemings Funds.

(13) Includes exercisable options to purchase 671,500 shares of Common Stock

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

owned by the directors and officers as a group. Excludes 3,059,789 shares beneficially owned by the Flemings Funds.

Kevin J. Zugibe, Thomas P. Zugibe and Stephen P. Mandracchia may be deemed to be "parents" of the Company as such term is used under the Securities Act of 1933.

### Item 12. Certain Relationships and Related Transactions

In the regular course of its business, the Company purchases refrigerants from and sells refrigerants to DuPont and performs recovery, reclamation, RefrigerantSide(R) Services and other services (see "Description of Business - Strategic Alliance).

23

### Item 13. Exhibits and Reports on Form 8-K.

- (a) Exhibits
- 3.1 Certificate of Incorporation and Amendment. (1)
- 3.2 Amendment to Certificate of Incorporation, dated July 20, 1994. (1)
- 3.3 Amendment to Certificate of Incorporation, dated October 26, 1994. (1)
- 3.4 By-Laws. (1)
- 3.5 Certificate of Amendment of the Certificate of Incorporation dated March 16, 1999. (12)
- 3.6 Certificate of Correction of the Certificate of Amendment dated March 25, 1999. (12)
- 3.7 Certificate of Amendment of the Certificate of Incorporation dated March 29, 1999. (12)
- 3.8 Certificate of Amendment of the Certificate of Incorporation dated February 16, 2001.
- 10.1 Lease Agreement between the Company and Ramapo Land Co., Inc. (1)
- 10.2 Consulting Agreement with J.W. Barclay & Co., Inc. (1)
- 10.3 1994 Stock Option Plan of the Company. (1) (\*)
- 10.4 Employment Agreement with Kevin J. Zugibe. (1) (\*)
- 10.5 Assignment of patent rights from Kevin J. Zugibe to Registrant. (1)
- 10.6 Agreement dated August 12, 1994 between the Company and PAACO International, Inc. (1)
- 10.7 Agreement between the Company and James T. and Joan Cook for the purchase of premises 3200 S.E. 14th Avenue, Ft. Lauderdale, Florida. (1)
- 10.8 Agreement dated as of December 12, 1994, by and between the Company and James Spencer d/b/a CFC Reclamation. (2)
- 10.9 Employment agreement, dated December 12, 1994, between the Company and James Spencer. (2)
- 10.10 Agreement, dated July 25, 1995, between the Company and Refrigerant Reclamation Corporation of America. (3)
- 10.11 Employment Agreements with Thomas P. Zugibe, Stephen P. Mandracchia and Stephen J. Cole-Hatchard. (4) (\*)
- 10.12 Contract of Sale with ESS, Stephen Spain, Robert Johnson and the Company dated April 23, 1996. (5)
- 10.13 Agreement dated June 14, 1996 between Environmental Support, Solutions, Inc. and E-Soft, Inc. (7)
- 10.14 Agreement dated July 24, 1996 between the Company and GRR Co., Inc. (7)
- 10.15 Agreements dated June 18, 1996 and September 30, 1996 between Cameron Capital and the Company. (7)
- 10.16 Employment agreement, dated October 1, 1996, between the Company and Walter Phillips. (7) (\*)
- 10.17 Agreement dated February 4, 1997 between Wilson Art, Inc. and the Company for the purchase of 100 Brenner Drive, Congers, New York. (7)
- 10.18 Employment agreement, dated April 16, 1997, between the Company and Brian Coleman. (8) (\*)

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

- 10.19 Agreements dated January 29, 1997 between E.I. DuPont de Nemours, DCEO, and the Company. (6)
- 10.20 Loan and security agreements and warrant agreements dated April 29, 1998 between the Company and CIT Group/Credit Financing Group, Inc. (9)
- 10.21 Stock Purchase Agreement, Registration Rights Agreement and Stockholders Agreement dated March 30, 1999 between the Company and Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P. (10)
- 10.22 Contract of Sale, dated March 19, 1999, for 75% interest in Environmental Support Solutions, Inc. (11)
- 10.23 1997 Stock Option Plan of the Company, as amended. (13) (\*)
- 10.24 Stock Purchase Agreements dated February 16, 2001 between the Company and Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P.
- 10.25 First Amendment to Registration Rights Agreement dated February 16, 2001 between the Company and Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P.
- 10.26 First Amendment to Stockholders Agreement dated February 16, 2001 between the Company and Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P. 23.1 Consent of BDO Seidman, LLP.
- 21. Subsidiaries of the Registrant
- 23.1 Consent of BDO Seidman, LLP

- 
- (1) Incorporated by reference to the comparable exhibit filed with the Company's Registration Statement on Form SB-2 (No. 33-80279-NY).
  - (2) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 8-K dated December 12, 1994.
  - (3) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 10-QSB for the quarter ended June 30, 1995.
  - (4) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995.
  - (5) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 8-K dated April 29, 1996.
  - (6) Incorporated by reference to the comparable exhibit filed with the Company Report in Form 8-K dated January 29, 1997.

24

- (7) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-KSB for the year ended December 31, 1996.
  - (8) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997.
  - (9) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 10-QSB for the quarter ended March 31, 1998.
  - (10) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 10-KSB for the year ended December 31, 1998.
  - (11) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 10-QSB for the quarter ended March 31, 1999.
  - (12) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 10-QSB for the quarter ended June 30, 1999.
  - (13) Incorporated by reference to the comparable exhibit filed with the Company's Report on Form 10-KSB for the year ended December 31, 1999.
- (\*) Denotes Management Compensation Plan, agreement or arrangement.
- (b) Reports on Form 8-K:

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

During the quarter ended December 31, 2000, no report on Form 8-K was filed.

25

### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HUDSON TECHNOLOGIES, INC.

By: /s/ Kevin J. Zugibe  
-----  
Kevin J. Zugibe, President

Date: March 29, 2001

In accordance with the Exchange Act, this report has been signed below by the following persons, on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Kevin J. Zugibe ----- Kevin J. Zugibe	Chairman of the Board; President and Chief Executive Officer (Principal Executive Officer)	March 29, 2001
/s/ Thomas P. Zugibe ----- Thomas P. Zugibe	Executive Vice President and Director	March 29, 2001
/s/ Stephen P. Mandracchia ----- Stephen P. Mandracchia	Executive Vice President; Secretary and Director	March 29, 2001
/s/ Brian F. Coleman ----- Brian F. Coleman	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2001
/s/ Harry C. Schell ----- Harry C. Schell	Director	March 29, 2001
/s/ Vincent Abbatecola ----- Vincent Abbatecola	Director	March 29, 2001
/s/ Otto C. Morch ----- Otto C. Morch	Director	March 29, 2001
/s/ Dominic J. Monetta ----- Dominic J. Monetta	Director	March 29, 2001
/s/ Robert L. Burr	Director	March 29, 2001

-----  
Robert L. Burr

/s/ Robert M. Zech

Director

March 29, 2001

-----  
Robert M. Zech

26

Hudson Technologies, Inc.  
Consolidated Financial Statements

Contents

-----

Report of Independent Certified Accountants	28
Audited Consolidated Financial Statements:	
o Consolidated Balance Sheet	29
o Consolidated Statements of Operations	30
o Consolidated Statements of Stockholders' Equity	31
o Consolidated Statements of Cash Flows	32
o Notes to the Consolidated Financial Statements	33

27

Report of Independent Certified Accountants

To Stockholders and Board of Directors

Hudson Technologies, Inc.  
Pearl River, New York

We have audited the accompanying consolidated balance sheet of Hudson Technologies, Inc. and subsidiaries as of December 31, 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hudson Technologies, Inc. and subsidiaries as of December 31, 2000, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

/s/ BDO Seidman, LLP

Valhalla, New York  
February 19, 2001

28

Hudson Technologies, Inc. and subsidiaries  
Consolidated Balance Sheet  
(Amounts in thousands, except for share and par value amounts)

	Decemb ----- Actual -----
Assets (Note 8)	(Note 8)
Current assets:	
Cash and cash equivalents	\$ 863
Trade accounts receivable - net (Note 5)	2,588
Inventories (Note 6)	1,901
Prepaid expenses and other current assets	197
	-----
Total current assets	5,549
Property, plant and equipment, less accumulated depreciation (Note 7)	5,342
Other assets	105
	-----
Total Assets	\$ 10,996 =====
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable and accrued expenses	\$ 3,836
Short-term debt (Note 8)	2,169
	-----
Total current liabilities	6,005
Deferred income	6
Long-term debt, less current maturities (Note 8)	1,887
	-----
Total Liabilities	7,898 -----
Commitments and contingencies (Note 10)	
Stockholders' equity (Notes 9 and 11):	
Preferred stock shares authorized 5,000,000:	
Series A Convertible Preferred stock, \$.01 par value (\$100 liquidation preference value); shares authorized 150,000; issued and outstanding 72,195 and 102,195	7,219
Common stock, \$.01 par value; shares authorized 20,000,000; issued outstanding 5,088,820	51
Additional paid-in capital	21,133
Accumulated deficit	(25,305)
	-----
Total Stockholders' Equity	3,098 -----



Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Total Liabilities and Stockholders' Equity

\$ 10,996  
=====

See accompanying Notes to the Consolidated Financial Statements.

29

Hudson Technologies, Inc. and subsidiaries  
Consolidated Statements of Operations  
(Amounts in thousands, except for share and per share amounts)

	For the year ended December 31,	
	2000	1999
	----	----
Revenues	\$ 15,455	\$ 17,909
Cost of sales	10,397	14,121
	-----	-----
Gross Profit	5,058	3,788
	-----	-----
Operating expenses:		
Selling and marketing	2,126	1,823
General and administrative	4,049	4,223
Depreciation and amortization	1,290	1,349
	-----	-----
Total operating expenses	7,465	7,395
	-----	-----
Operating loss	(2,407)	(3,607)
	-----	-----
Other income (expense):		
Interest expense	(501)	(454)
Other income (Note 2 and 3)	512	106
	-----	-----
Total other income (expense)	11	(348)
	-----	-----
Loss before income taxes	(2,396)	(3,955)
Income taxes (Note 4)	--	--
	-----	-----
Net loss	(2,396)	(3,955)
Preferred stock dividends	(497)	(349)
	-----	-----
Available for common shareholders	\$ (2,893)	\$ (4,304)
	=====	=====
-----		
Net loss per common share - basic and diluted	\$ (.57)	\$ (.85)
	=====	=====

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Weighted average number of shares  
outstanding (Note 1)

5,088,570  
=====

5,085,820  
=====

See accompanying Notes to the Consolidated Financial Statements.

30

### Hudson Technologies, Inc. and subsidiaries Consolidated Statements of Stockholders' Equity (Amounts in thousands, except for share amounts)

	Preferred Stock		Common Stock		Additional Paid-in Capital
	Shares	Amount	Shares	Amount	
Balance at December 31, 1998	--	\$--	5,085,820	\$51	\$ 22,545
Issuance of Series A Preferred Stock - Net	65,000	6,500	--	--	(700)
Dividends paid in-kind on Series A Preferred Stock	2,314	231	--	--	(231)
Net Loss	--	--	--	--	--
	-----	-----	-----	---	-----
Balance at December 31, 1999	67,314	6,731	5,085,820	51	21,614
Issuance of Common Stock for services	--	--	3,000	--	7
Dividends paid in-kind on Series A Preferred Stock	4,881	488	--	--	(488)
Net Loss	--	--	--	--	--
	-----	-----	-----	---	-----
Balance at December 31, 2000	72,195	\$7,219	5,088,820	\$51	\$ 21,133
	=====	=====	=====	===	=====

See accompanying Notes to the Consolidated Financial Statements.

31

### Hudson Technologies, Inc. and subsidiaries Consolidated Statements of Cash Flows Increase (Decrease) in Cash and Cash Equivalents (Amounts in thousands)

For the year ended December 31,

-----  
2000

-----  
1999

Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Cash flows from operating activities:		
Net loss	\$ (2,396)	\$ (3,955)
Adjustments to reconcile net loss to cash used by operating activities:		
Depreciation and amortization	1,290	1,349
Allowance for doubtful accounts	20	41
Common stock issued for services	7	--
Changes in assets and liabilities:		
Trade accounts receivable	(691)	(883)
Inventories	580	804
Prepaid expenses and other current assets	5	6
Other assets	13	91
Accounts payable and accrued expenses	461	(876)
Deferred income	(16)	(19)
	-----	-----
Cash used by operating activities	(727)	(3,442)
	-----	-----
Cash flows from investing activities:		
Additions to property, plant, and equipment	(853)	(1,822)
	-----	-----
Cash used by investing activities	(853)	(1,822)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of preferred stock - net	--	5,800
Proceeds of short-term debt - net	234	737
Proceeds from long-term debt	529	1,064
Repayment of long-term debt	(803)	(630)
	-----	-----
Cash provided (used) by financing activities	(40)	6,971
	-----	-----
Increase (decrease) in cash and cash equivalents	(1,620)	1,707
Cash and equivalents at beginning of period	2,483	776
	-----	-----
Cash and equivalents at end of period	\$ 863	\$2,483
	=====	=====
-----		
Supplemental disclosure of cash flow information:		
Cash paid during period for interest	\$501	\$454

See accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and subsidiaries  
Notes to the Consolidated Financial Statements

Note 1- Summary of Significant Accounting Policies

Business

Hudson Technologies, Inc., incorporated under the laws of New York on January 11, 1991, together with its subsidiaries (collectively, "Hudson" or the "Company"), primarily sells refrigerants and provides RefrigerantSide(R) Services performed at a customer's site, consisting of system decontamination to remove moisture and oils and other contaminants and recovery and reclamation of the refrigerants used in commercial air conditioning and refrigeration systems. The Company operates as a single segment through its wholly owned subsidiary

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Hudson Technologies Company.

### Consolidation

The consolidated financial statements represent all companies of which Hudson directly or indirectly has majority ownership or otherwise controls. Significant intercompany accounts and transactions have been eliminated. The Company's consolidated financial statements include the accounts of wholly-owned subsidiaries Hudson Holdings, Inc. and Hudson Technologies Company. Effective March 19, 1999, the Company sold 75% of its ownership interest in Environmental Support Solutions, Inc. ("ESS") and as of that date, no longer includes the results of that operation in the consolidated results of the Company. On October 11, 1999 and April 18, 2000 the Company sold its remaining ownership interest in ESS.

### Fair value of financial instruments

The carrying values of financial instruments including trade accounts receivable, and accounts payable approximate fair value at December 31, 2000, because of the relatively short maturity of these instruments. The carrying value of short-and long-term debt approximates fair value, based upon quoted market rates of similar debt issues, as of December 31, 2000.

### Credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of temporary cash investments and trade accounts receivable. The Company maintains its temporary cash investments in highly-rated financial institutions. The Company's trade accounts receivables are due from companies throughout the U.S. The Company reviews each customer's credit history before extending credit.

The Company establishes an allowance for doubtful accounts based on factors associated with the credit risk of specific accounts, historical trends, and other information.

During the year ended December 31, 2000, one customer accounted for 13% of the Company's revenues. During the year ended December 31, 1999, one customer accounted for 17% of the Company's revenues. The loss of a principal customer or a decline in the economic prospects and purchases of the Company's products or services by any such customer would have an adverse effect on the Company's financial position and results of operations.

### Cash and cash equivalents

Temporary investments with original maturities of ninety days or less are included in cash and cash equivalents.

### Inventories

Inventories, consisting primarily of reclaimed refrigerant products available for sale, are stated at the lower of cost, on a first-in first-out basis, or market.

### Property, plant, and equipment

Property, plant, and equipment are stated at cost; including internally manufactured equipment. The cost to complete equipment that is under construction is not considered to be material to the Company's financial position. Provision for depreciation is recorded (for financial reporting purposes) using the straight-line method over the useful lives of the

respective assets. Leasehold improvements are amortized on a straight-line basis over the shorter of economic life or terms of the respective leases.

Due to the specialized nature of the Company's business, it is possible that the Company's estimates of equipment useful life periods may change in the future.

#### Revenues and cost of sales

Revenues are recorded upon completion of service or product shipment or passage of title to customers in accordance with contractual terms. Cost of sales is recorded based on the cost of products shipped or services performed and related direct operating costs of the Company's facilities.

#### Income taxes

The Company utilizes the assets and liability method for recording deferred income taxes, which provides for the establishment of deferred tax asset or liability accounts based on the difference between tax and financial reporting bases of certain assets and liabilities.

The Company recognized a reserve allowance against the deferred tax benefit for the current and prior period losses. The tax benefit associated with the Company's net operating loss carry forwards would be recognized to the extent that the Company recognized net income in future periods.

#### Loss per common and equivalent shares

Loss per common share, Basic, is calculated based on the net loss for the period less dividends on the outstanding Series A Preferred Stock, \$497,000 and \$349,000 for the years ended December 31, 2000 and 1999, respectively, divided by the weighted average number of shares outstanding. If dilutive, common equivalent shares (common shares assuming exercise of options and warrants or conversion of Preferred Stock) utilizing the treasury stock method are considered in the presentation of dilutive earnings per share. Diluted loss per share was not presented since the effect was not dilutive.

#### Estimates and Risks

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities, and the results of operations during the reporting period. Actual results could differ from these estimates.

The Company participates in an industry that is highly regulated, changes in which could affect operating results. Currently the Company purchases virgin and reclaimable refrigerants from domestic suppliers and its customers. To the extent that the Company is unable to obtain refrigerants on commercially reasonable terms or experiences a decline in demand for refrigerants, the Company could realize reductions in refrigerant processing and possible loss of revenues, which would have a material adverse affect on operating results.

The Company is subject to various legal proceedings. The Company assesses the merit and potential liability associated with each of these proceedings. The Company estimates potential liability, if any, related to these matters. To the extent that these estimates are not accurate, or circumstances change in the future, the Company could realize liabilities which would have a material adverse affect on operating results and its financial position.

Impairment of long-lived assets and long-lived assets to be disposed of

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell.

34

Recent accounting pronouncements

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principals to revenue recognition in financial statements. SAB 101 was adopted in 2000 and had no material impact on the Company's revenue recognition policy.

Note 2 - Dispositions

Effective March 19, 1999, the Company sold 75% of its stock ownership in ESS to one of its founders. The consideration for the Company's sale of its interest was \$100,000 in cash and a six year note in the amount of \$380,000. The Company recognized a valuation allowance for 100% of the note receivable. The Company will recognize as income the portion of the proceeds associated with the note receivable upon the receipt of cash. This sale did not have a material effect on the Company's financial condition or results of operations. Effective October 11, 1999, the Company sold to three of ESS's employees an additional 5.4% ownership in ESS. The Company received \$37,940 from the sale of the additional ESS stock. Effective April 18, 2000, ESS redeemed the balance of the Company's stock ownership in ESS. The Company received cash in the amount of \$188,000 from the redemption and such amount was included as other income as of that date.

Note 3 - Other income

For the year ended December 31, 2000, other income of \$512,000 consisted primarily of \$157,000 of lease rental income from the Company's Ft. Lauderdale facility, see Note 10 to the Notes to the Consolidated Financial Statements, a \$188,000 gain from the sale of the balance of the Company's ownership interest in ESS and \$100,000 of interest income. For the year ended December 31, 1999 other income of \$106,000 consisted primarily of lease rental income from the Company's Ft. Lauderdale facility and interest income.

Note 4 - Income taxes

During the years ended December 31, 2000 and 1999, there was no income tax expense recognized due to the Company's net losses.

Reconciliation of the Company's actual tax rate to the U.S. Federal statutory rate is as follows:

Year ended December 31, (in percents)	2000	1999
	----	----

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Income tax rates		
- Statutory U.S. Federal rate	(34%)	(34%)
- States, net U.S. benefits	(4%)	(4%)
- Valuation allowance	38%	38%
	---	---
Total	- %	- %
	===	===

As of December 31, 2000, the Company has net operating loss carryforwards, ("NOL's") of approximately \$23,000,000 expiring 2007 through 2015 for which a 100% valuation allowance has been recognized. Refrigerant Reclamation Corporation of America ("RRCA"), acquired during 1995 as a subsidiary of the Company, has available NOL's expiring 2007 through 2010 of approximately \$4,488,000 subject to annual limitations of approximately \$367,000.

Elements of deferred income tax assets (liabilities) are as follows:

	December 31,	
	(in thousands)	2000
		----
Deferred tax assets (liabilities)		
- Depreciation & amortization		\$ (8)
- Reserves for doubtful accounts		62
- NOL		8,900
- Other		(54)
		-----
Subtotal		8,900
- NOL valuation allowance		(8,900)
		-----
Total		\$ --
		=====

35

Note 5- Trade accounts receivable - net

At December 31, 2000, trade accounts receivable are net of reserves for doubtful accounts of \$154,000.

Note 6 - Inventories

Inventories consisted of the following:

	December 31,	
	(in thousands)	2000
		----
Refrigerant and cylinders		\$1,507
Packaged refrigerants		394
		-----
Total		\$1,901
		=====

Note 7 - Property, plant, and equipment

Elements of property, plant, and equipment are as follows:

	December 31,	
	(in thousands)	2000
		----
Property, plant, & equipment		
- Land		\$ 335
- Buildings & improvements		776

Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

- Equipment	6,719
- Equipment under capital lease	315
- Vehicles	1,224
- Furniture & fixtures	178
- Leasehold improvements	516
- Equipment under construction	588
	-----
Subtotal	10,651
Accumulated depreciation & amortization	(5,309)
	-----
Total	\$ 5,342
	=====

The Company's Ft. Lauderdale land, building, and improvements, with a net book value of approximately \$945,000, are currently being leased to a third party. The Company intends to sell this property in the foreseeable future.

Note 8 - Short-term and long-term debt

Elements of short-term and long-term debt are as follows:

December 31,	2000
(in thousands)	----
Short-term & long-term debt	
Short-term debt:	
- Bank credit line	\$ 1,734
- Long-term debt: current	435
	-----
Subtotal	2,169
	-----
Long-term debt:	
- Bank credit line	880
- Mortgage payable	644
- Capital lease obligations	129
- Vehicle loans	669
- Less: current maturities	(435)
	-----
Subtotal	1,887
	-----
Total	\$ 4,056
	=====

Bank credit line

The Company entered into a credit facility with CIT Group/Credit Finance Group, Inc. ("CIT") which provides for borrowings to the Company of up to \$6,500,000. The facility requires minimum borrowings of \$1,250,000. The facility provides for a revolving line of credit and a six-year term loan and expires in April 2003. Advances under the revolving line of credit are limited to (i) 80% of eligible trade accounts receivable and (ii) 50% of eligible inventory (which inventory amount shall not exceed 200% of eligible trade accounts receivable or \$3,250,000). As of December 31, 2000, the Company had availability under its revolving line of credit of approximately \$577,000. Advances, available to the Company, under the term loan are based on existing fixed asset valuations and future advances under the term loan up to an additional \$1,000,000 are based on future capital expenditures. During 1999, the Company received advances of \$166,000 based on capital expenditures. As of December 31, 2000, the Company had approximately \$675,000 outstanding under its term loans and \$1,734,000



Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

outstanding under its revolving line of credit. The facility bears interest at the prime rate plus 1.5%, 11% at December 31, 2000, and substantially all of the Company's assets are pledged as collateral for obligations to CIT. In addition, among other things, the agreements restrict the Company's ability to declare or pay any dividends on its capital stock. The Company has obtained a waiver from CIT to permit the payment of dividends on its Series A Preferred Stock.

During 2000, the Company entered into a separate term loan with an affiliate of CIT. The term loan is secured by a specific asset and bears interest at a rate of 10% per annum. At December 31, 2000 the outstanding balance was \$205,000 and is payable in 59 equal monthly installments of \$2,850 with a final payment of \$131,419 due in June 2005.

Mortgage payable

During 1996, the Company mortgaged its property and building located in Ft. Lauderdale, Florida with Turnberry Savings Bank, NA. The mortgage of \$644,000, at December 31, 2000 bears interest at the rate of 10.125% and is repayable over 20 years through January 2017.

Vehicle Loans

During 1999, the Company entered into various vehicle loans. The vehicles are primarily used in connection with the Company's on-site services. The loans are payable in 60 monthly payments through October 2004 and bear interest at 9.0% through 9.98%.

Related Party Loan

In February 1999, a former director made an unsecured loan in the aggregate principal amount of \$365,000 to the Company. The loan was repaid on April 16, 1999 and bore interest at 12% per annum.

Scheduled maturities of the Company's debts and capital lease obligations are as follows:

Debts and capital lease obligations	
Years ended December 31,	Amount
-----	-----
(in thousands)	
- 2001	\$2,169
- 2002	458
- 2003	462
- 2004	240
- 2005	188
- Thereafter	539
	-----
Total	\$4,056
	=====

The Company rents certain equipment with a net book value of about \$182,000 for leases which have been classified as capital leases. Scheduled future minimum lease payments under capital leases net of interest are as follows:

Scheduled capital lease obligation payments	
Years ended December 31,	Amount
-----	

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

(in thousands)	
- 2001	\$48
- 2002	50
- 2003	31
	----
Total	\$129
	====

Average short-term debt for the year ended December 31, 2000 totaled \$1,575,000 with a weighted average interest rate of approximately 10.7%.

### Note 9 - Stockholders' equity

(i) In September 1996 and October 1997, in connection with the then outstanding convertible debentures, the Company issued warrants to purchase an aggregate of 16,071 and 66,000 shares of the Company's Common Stock at an exercise price of \$18.00 and \$10.00, respectively, per share. These warrants expire through August 6, 2002.

(ii) On January 29, 1997, the Company entered into a Stock Purchase Agreement with E.I. DuPont de Nemours and Company ("DuPont") and DuPont Chemical and Energy Operations, Inc. ("DCEO") pursuant to which the Company issued to DCEO 500,000 shares of Common Stock in consideration of \$3,500,000 in cash. Simultaneous with the execution of the Stock Purchase Agreement, the parties entered into a Standstill Agreement, Shareholders' Agreement and Registration Agreement.

The Standstill Agreement provides, subject to certain exceptions, that neither DuPont nor any corporation or entity controlled by DuPont will, directly or indirectly, acquire any shares of any class of capital stock of the Company if the effect of such acquisition would be to increase DuPont's aggregate voting power to greater than 20% of the total combined voting power relating to any election of directors. The Standstill Agreement also provides that the Company will cause two persons designated by DCEO and DuPont to be elected to the Company's Board of Directors.

The Shareholders' Agreement provides that, subject to certain exceptions, DuPont shall have a right of first refusal to purchase any shares of Common Stock intended to be sold by the Company's principal shareholders.

Pursuant to the Registration Agreement, the Company granted to DuPont certain demand and "piggy-back" registration rights. The Standstill Agreement, Shareholders Agreement and the demand and "piggy-back" registration rights under the Registration Rights Agreement terminate on January 29, 2002.

(iii) On April 28, 1998, in connection with the loan agreements with CIT, the Company issued to CIT warrants to purchase 30,000 shares of the Company's common stock at an exercise price equal to 110% of the then fair market value of the stock, which on the date of issuance was \$4.33 per share. The value of the warrants were not deemed to be material and which expire on April 29, 2001. In addition, among other things, the agreements restrict the Company's ability to declare or pay any dividends on its capital stock. The Company has obtained a waiver from CIT to permit the payment of dividends on its Series A Preferred Stock.

(iv) On March 30, 1999, the Company completed the sale of 65,000 shares of its Series A Preferred Stock, with a liquidation value of \$100 per share, to Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P. The gross proceeds from the sale of the Series A Preferred Stock were \$6,500,000. The Series A Preferred Stock converts to Common Stock at a rate of \$2.375 per share, which was 27% above the closing market price of Common Stock on March 29,

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

1999.

(v) On February 16, 2001, the Company completed the sale of 30,000 shares of its Series A Preferred Stock, with a liquidation value of \$100 per share, to Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P. The gross proceeds from the sale of the Series A Preferred Stock were \$3,000,000. The Series A Preferred Stock converts to Common Stock at a rate of \$2.375 per share, which was 23% above the closing market price of Common Stock on February 15, 2001. As of December 31, 2000, the net proceeds of \$2,925,000 from the sale of the Series A Preferred Stock has been reflected in the proforma balance sheet as if the proceeds were received as of that date.

38

The Series A Preferred Stock has voting rights on an as-if converted basis. The number of votes applicable to the Series A Preferred Stock is equal to the number of shares of Common Stock into which the Series A Preferred Stock is then convertible. However, the holders of the Series A Preferred Stock will provide the Chief Executive Officer and the Secretary of the Company a proxy to vote all shares currently owned and subsequently acquired above 29% of the votes entitled to be cast by all shareholders of the Company. The Preferred Stock carries a dividend rate of 7%, which will increase to 16%, if the stock remains outstanding, on or after March 31, 2004. The conversion rate may be subject to certain antidilution provisions. The Company has used and will use the net proceeds from the issuance of the Series A Preferred Stock to expand its RefrigerantSide(R) Services business and for working capital purposes.

The Company pays dividends, in arrears, on the Series A Preferred Stock, semi annually, either in cash or additional shares, at the Company's option. On September 30, 2000, the Company declared and paid, in-kind, the dividends outstanding on the Series A Preferred Stock. During the year ended December 31, 2000, the Company issued an aggregate of 4,881 additional shares of its Series A Preferred Stock in satisfaction of the dividends due. The Company may redeem the Series A Preferred Stock on March 31, 2004 either in cash or shares of Common Stock valued at 90% of the average trading price of the Common Stock for the 30 days preceding March 31, 2004. In addition, after March 30, 2001, the Company may call the Series A Preferred Stock if the market price of its Common Stock is equal to or greater than 250% of the conversion price and the Common Stock has traded with an average daily volume in excess of 20,000 shares for a period of thirty consecutive days.

The Company has provided certain registration, preemptive and tag along rights to the holders of the Series A Preferred Stock. The holders of the Series A Preferred Stock, voting as a separate class, have the right to elect up to two members to the Company's Board of Directors or at their option, to designate up to two advisors to the Company's Board of Directors who will have the right to attend and observe meetings of the Board of Directors. Currently, the holders have elected two members to the Board of Directors.

(vi) The Company engaged an advisor to facilitate the Company's efforts in connection with the March 30, 1999 sale of the Series A Preferred Stock. In addition to the advisor fees, the Company issued to the advisor, warrants, which expire on March 30, 2004, to purchase 136,482 shares of the Company's Common Stock at an exercise price per share of \$2.73. The value of the warrants were not deemed to be material.

Note 10 - Commitments and contingencies

Rents, operating leases and contingent income

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Hudson utilizes leased facilities and operates equipment under non-cancelable operating leases through December 31, 2005. In addition, the Company leases its owned Ft. Lauderdale facility to a third party.

### Properties

The Company's Baltimore, Maryland depot facility is located in a 2,700 square foot building leased from an unaffiliated third party at an annual rent of approximately \$25,600 pursuant to an agreement expiring in August 2002.

The Company's Baton Rouge, Louisiana facility is located in a 3,800 square foot building leased from an unaffiliated third party at an annual rental of approximately \$18,000 pursuant to an agreement expiring in July 2002.

The Company's Haverhill (Boston), Massachusetts depot facility is located in a 3,000 square foot building leased from an unaffiliated third party at an annual rent of \$13,200 pursuant to a month to month rental agreement.

The Company's Charlotte, North Carolina facility is located in a 12,000 square foot building leased from an unaffiliated third party at an annual rent of approximately \$42,000 pursuant to a month to month rental agreement.

The Company's Villa Park (Chicago), Illinois depot facility is located in a 3,500 square foot building leased from an unaffiliated third party at an annual rent of approximately \$23,000 pursuant to an agreement expiring in August 2002.

In March 1995, the Company purchased, for \$950,000, a facility in Ft. Lauderdale, Florida, consisting of a 32,000 square foot building on approximately 1.7 acres with rail and port access. The property was mortgaged during 1996 for \$700,000. Annual real estate taxes are approximately \$24,000. The Company has principally ceased its operations at this facility and has entered into a three year lease of the entire facility at the current level of \$13,781 per month to an unaffiliated third party. The Company intends to sell this property in the foreseeable future.

39

The Company's Ft. Myers, Florida engineering facility is located in a 15,000 square foot building leased from an unaffiliated third party at an annual rent of \$57,240 pursuant to an agreement expiring in July 2001.

The Company's Hillburn facility is located in approximately 21,000 square feet of leased industrial space at Hillburn, New York. The building is leased from an unaffiliated third party at an annual rental of approximately \$94,000 pursuant to an agreement expiring in May 2004.

The Company's Houston, Texas depot facility, which consists of 5,000 square feet located in a larger building, is leased from an unaffiliated third party at an annual rent of \$25,200 pursuant to an agreement which expires in June 2001.

The Company's headquarters are located in approximately 5,400 square feet of leased commercial space at Pearl River, New York. The building is leased from an unaffiliated third party pursuant to a three year agreement at an annual rental of approximately \$95,000 through January 2002.

The Company's Plainview, New York depot facility is located in a 2,000 square foot building leased from an unaffiliated third party at an annual rent of approximately \$16,920 pursuant to an agreement expiring in July 2002.

The Company's Punta Gorda, Florida separation facility is located in a 15,000

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

square foot building leased from an unaffiliated third party at an annual rent of \$60,000 pursuant to an agreement expiring in April 2001.

The Company's Rantoul, Illinois facility is located in a 29,000 square foot building leased from an unaffiliated third party at an annual rental of approximately \$78,000 pursuant to an agreement expiring in September 2002.

The Company's Seattle, Washington depot facility is located in a 3,000 square foot building leased from an unaffiliated third party at an annual rent of approximately \$16,200 pursuant to an agreement expiring in March 2001.

The Company rents properties and various equipment under operating leases. Rent expense, net of sublease rental income, for the years ended December 31, 2000 and 1999 totaled approximately \$790,000 and \$1,054,000, respectively.

Future commitments under operating leases, are summarized as follows:

Rent expense ----- Years ended December 31, ----- (in thousands)	Amount -----
- 2001	\$ 635
- 2002	253
- 2003	121
- 2004	48
- 2005	3
	-----
Total	\$1,060 =====

### Legal Proceedings

In June 1998, United Water of New York Inc. ("United") commenced an action against the Company in the Supreme Court of the State of New York, Rockland County, seeking damages in the amount of \$1.2 million allegedly sustained as a result of the prior contamination of certain of United's wells within close proximity to the Company's Hillburn, New York facility, which wells showed elevated levels of refrigerant contamination, specifically Trichlorofluoromethane (R-11) and Dichlorodifluoromethane (R-12). In December 1998, United served an amended complaint asserting a claim pursuant to the Resource Conservation and Recovery Act, 42 U.S.C.ss.6901, et. seq. seq. ("RCRA").

On April 1, 1999, the Company reported a release at the Company's Hillburn, New York facility of approximately 7,800 lbs. of R-11, as a result of a failed hose connection to one of the Company's outdoor storage tanks allowing liquid R-11 to discharge from the tank into the concrete secondary containment area in which the subject tank was located. An amount of the R-11 escaped the secondary containment area through an open drain from the secondary containment area for removing accumulated rainwater and entered the ground. In April 1999, the Company was advised by United that one of its wells within close proximity to the Company's facility showed elevated levels of R-11 in excess of 200 ppb.

Between April 1999 and May 1999, with the approval of the New York State Department of Environmental Conservation ("DEC"), the Company constructed and put into operation a remediation system at the Company's facility to remove R-11 levels in the groundwater under and around the Company's facility. The cost of this remediation system was \$100,000.

In July 1999, United amended its complaint in the Rockland County action to allege facts relating to, and to seek damages allegedly resulting from the April 1, 1999 R-11 release.

In June 2000, the Rockland County Supreme Court approved a settlement of the Rockland County action commenced by United. Under the Settlement, the Company paid to United the sum of \$1,000,000 upon Court approval of the settlement, and has agreed to make monthly payments in the amount of \$5,000 for a minimum of 18 months following the settlement. The proceeds of the settlement are required to be used to fund the construction and operation by United of a new remediation tower, as well as for the continuation of temporary remedial measures implemented by United and that have successfully contained the spread of R-11. The remediation tower is expected to be completed by March 31, 2001 and is designed to treat all of United's impacted wells and restore the water to New York State drinking water standards for supply to the public. The Company carries \$1,000,000 of pollution liability insurance per occurrence and in connection with the settlement exhausted all insurance proceeds available under all applicable policies.

In connection with the above mentioned proceedings, the Company has accrued for all current and anticipated costs, net of the insurance proceeds which have been paid by the carrier.

In June 2000, the Company signed an Order on Consent with the DEC regarding all past contamination of the United well field. Under the Order on Consent, the Company agreed to pay a \$10,000 penalty relating to the April 1, 1999 release and agreed to continue operating the remediation system installed by the Company at its Hillburn facility in May 1999 until remaining groundwater contamination has been effectively abated.

In May 2000, the Company's Hillburn facility was nominated by the United States Environmental Protection Agency ("EPA") for listing on the National Priorities List ("NPL"), pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The Company believes that the agreements reached with the DEC and United Water, together with the reduced levels of contamination present in the United Water wells, make such listing unnecessary and counterproductive. Hudson submitted opposition to the listing within the sixty-day comment period. To date, no final decision has been made by the EPA regarding the proposed listing.

There can be no assurance that the effects of the April 1, 1999 R-11 release, will not spread beyond the United Water well system and impact the Village of Suffern's wells, or that the ultimate outcome of such a spread of contamination will not have a material adverse effect on the Company's financial condition and results of operations. There is also no assurance that the Company's opposition to the EPA's listing will be successful, or that the ultimate outcome of such a listing will not have a material adverse effect on the Company's financial condition and results of operations.

#### Note 11 - Stock Option Plan

Effective October 31, 1994, the Company adopted an Employee Stock Option Plan ("Plan") pursuant to which 725,000 shares of common stock are reserved for issuance upon the exercise of options designated as either (i) options intended to constitute incentive stock options ("ISOs") under the Internal Revenue Code of 1986, as amended, or (ii) nonqualified options. ISOs may be granted under the Plan to employees and officers of the Company. Non-qualified options may be granted to consultants, directors (whether or not they are employees), employees or officers of the Company. Stock appreciation rights may also be issued in

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

tandem with stock options. Unless sooner terminated, the Plan will expire on December 31, 2004.

ISOs granted under the Plan may not be granted at a price less than the fair market value of the Common Stock on the date of grant (or 110% of fair market value in the case of persons holding 10% or more of the voting stock of the Company). Non-qualified options granted under the Plan may not be granted at a price less than 85% of the market value of the Common Stock on the date of grant. Options granted under the Plan expire not more than ten years from the date of grant (five years in the case of ISOs granted to persons holding 10% or more of the voting stock of the Company).

Effective July 25, 1997, and as amended on August 19, 1999, the Company adopted its 1997 Employee Stock Option Plan ("1997 Plan") pursuant to which 2,000,000 shares of common stock are reserved for issuance upon the exercise of options designated as either (i) options intended to constitute incentive stock options ("ISOs") under the Internal Revenue Code of 1986, as amended, or (ii) nonqualified options. ISOs may be granted under the 1997 Plan to employees and officers of the Company. Non-qualified options may be granted to consultants, directors (whether or not they are employees), employees or officers of the Company. Stock appreciation rights may also be issued in tandem with stock options. Unless sooner terminated, the 1997 Plan will expire on June 11, 2007.

41

ISOs granted under the 1997 Plan may not be granted at a price less than the fair market value of the Common Stock on the date of grant (or 110% of fair market value in the case of persons holding 10% or more of the voting stock of the Company). Non-qualified options granted under the 1997 Plan may not be granted at a price less than the par value of the Common Stock on the date of grant. Options granted under the 1997 Plan expire not more than ten years from the date of grant (five years in the case of ISOs granted to persons holding 10% or more of the voting stock of the Company).

All stock options have been granted to employees and non-employees at exercise prices equal to or in excess of the market value on the date of the grant.

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for its stock option plan by recording as compensation expense the excess of the fair market value over the exercise price per share as of the date of grant. Under APB Opinion 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation cost is recognized.

SFAS No. 123 requires the Company to provide pro forma information regarding net loss and net loss per share as if compensation cost for the Company's stock option plan had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants since 1995.

Years ended December 31,	2000	1999
	----	----
Assumptions		
-----		
Dividend Yield	0 %	0 %
Risk free interest rate	5.9 %	5.3 %
Expected volatility	60 %	46.5 %

## Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Expected lives 5 5

Under the accounting provisions of FASB Statement 123, the Company's net loss and net loss per share would have been adjusted to the pro forma amounts indicated below:

Years ended December 31,	2000	1999
	----	----
Pro forma results		
-----		
(In thousands, except per share amounts)		
Net loss available for common shareholders:		
As reported	\$ (2,893)	\$ (3,955)
Pro forma	\$ (3,791)	\$ (4,723)
Loss per common share-basic and diluted		
As reported	\$ (.57)	\$ (.85)
Pro forma	\$ (.75)	\$ (1.00)

A summary of the status of the Company's stock option plan as of December 31, 2000 and 1999 and changes for the years ending on those dates is presented below:

Stock Option Plan Grants	Shares	Weighted Average Exercise Price
-----		
Outstanding at December 31, 1998	1,374,642	\$ 5.08
-----		
o Granted	226,500	\$ 2.24
o Forfeited	(566,610)	\$ 5.23
	-----	
Outstanding at December 31, 1999	1,034,532	\$ 4.37
-----		
o Granted	589,250	\$ 2.41
o Forfeited	(25,700)	\$ 7.17
	-----	
Outstanding at December 31, 2000	1,598,082	\$ 3.60
	=====	=====

42

Data summarizing year-end options exercisable and weighted average fair-value of options granted during the years ended December 31, 2000 and 1999 is shown below:

Options Exercisable	Year ended December 31,	Year ended December 31,
-----	2000	1999
Options exercisable at year-end	1,385,582	925,532
	-----	-----
Weighted average exercise price	\$3.64	\$4.07
	-----	-----



Edgar Filing: HUDSON TECHNOLOGIES INC /NY - Form 10KSB/A

Weighted average fair value of options granted during the year	\$1.13	\$ .83
	-----	-----

Options Exercisable at December 31, 2000

Range of Prices	Number Outstanding	Weighted-average Exercise Price
-----	-----	-----
\$1 to \$4	1,107,916	\$ 2.81
\$4 to \$10	167,666	\$ 4.62
\$10 to \$16	110,000	\$10.50
	-----	
\$1 to \$16	1,385,582	\$ 3.64
	=====	

The following table summarizes information about stock options outstanding at December 31, 2000:

Options Outstanding At December 31, 2000

Range of Prices	Number Outstanding	Weighted-average Remaining Contractual Life	Weighted-average Exercise Price
-----	-----	-----	-----
\$1 to \$4	1,277,750	4.0 years	\$2.73
\$4 to \$10	185,332	2.0 years	\$4.56
\$10 to \$16	135,000	1.0 years	\$10.50
	-----		
\$1 to \$16	1,598,082	3.5 years	\$3.60
	=====		

During the initial phase-in period of SFAS 123, the effects on the pro-forma results are not likely to be representative of the effects on pro-forma results in future years since options vest over several years and additional awards could be made each year.