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DELTA REPORT

10-Q

HDSN - HUDSON TECHNOLOGIES INC /

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	461
CHANGES	187
DELETIONS	142
ADDITIONS	132

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June September 30, 2023

OR

 TRANSITION REPORT PURSUANT TO 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.

(Exact name of registrant as specified in its charter)

New York	**13-3641539**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
300 Tice Boulevard **Suite 290** **Woodcliff Lake, New Jersey**	**07677**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(845) 735-6000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common stock, $0.01 par value	HDSN	NASDAQ Capital Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) **Yes** **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☐ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common stock, $0.01 par value	45,395,085 45,502,380 shares
Class	**Outstanding at August 8, 2023 November 7, 2023**

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Hudson Technologies, Inc.

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PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

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

	June 30, 2023 (unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 11,415	$ 5,295
Trade accounts receivable – net	49,057	20,872
Inventories	134,444	145,377
Prepaid expenses and other current assets	10,377	5,289
Total current assets	205,293	176,833
Property, plant and equipment, less accumulated depreciation	19,909	20,568
Goodwill	47,803	47,803
Intangible assets, less accumulated amortization	16,167	17,564
Right of use asset	7,497	7,339
Other assets	2,386	2,386
Total Assets	$ 299,055	$ 272,493
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 17,579	$ 14,165
Accrued expenses and other current liabilities	28,334	27,908
Accrued payroll	3,423	6,303
Current maturities of long-term debt	4,250	4,250
Total current liabilities	53,586	52,626
Deferred tax liability	3,161	244
Long-term lease liabilities	5,773	5,763
Long-term debt, less current maturities, net of deferred financing costs	25,085	38,985
Total Liabilities	87,605	97,618
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, shares authorized 5,000,000: Series A Convertible preferred stock, $0.01 par value ($100 liquidation preference value); shares authorized 150,000; none issued or outstanding	—	—
Common stock, $0.01 par value; shares authorized 100,000,000; issued and outstanding 45,375,598 and 45,287,619, respectively	454	453
Additional paid-in capital	118,296	116,442
Accumulated retained earnings	92,700	57,980
Total Stockholders' Equity	211,450	174,875
Total Liabilities and Stockholders' Equity	$ 299,055	$ 272,493

	September 30, 2023 (unaudited)	December 31, 2022

Assets		
Current assets:		
Cash and cash equivalents	$ 3,783	$ 5,295
Trade accounts receivable – net	44,935	20,872
Inventories	139,231	145,377
Prepaid expenses and other current assets	10,143	5,289
Total current assets	198,092	176,833
Property, plant and equipment, less accumulated depreciation	20,570	20,568
Goodwill	47,803	47,803
Intangible assets, less accumulated amortization	15,469	17,564
Right of use asset	7,041	7,339
Other assets	2,418	2,386
Total Assets	$ 291,393	$ 272,493
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 16,828	$ 14,165
Accrued expenses and other current liabilities	30,260	27,908
Accrued payroll	5,030	6,303
Current maturities of long-term debt	—	4,250
Short-term debt	5,000	—
Total current liabilities	57,118	52,626
Deferred tax liability	4,524	244
Long-term lease liabilities	5,167	5,763
Long-term debt, less current maturities, net of deferred financing costs	—	38,985
Total Liabilities	66,809	97,618
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, shares authorized 5,000,000: Series A Convertible preferred stock, $0.01 par value ($100 liquidation preference value); shares authorized 150,000; none issued or outstanding	—	—
Common stock, $0.01 par value; shares authorized 100,000,000; issued and outstanding 45,484,325 and 45,287,619, respectively	455	453
Additional paid-in capital	117,847	116,442
Accumulated retained earnings	106,282	57,980
Total Stockholders' Equity	224,584	174,875
Total Liabilities and Stockholders' Equity	$ 291,393	$ 272,493

See Accompanying Notes to the Consolidated Financial Statements.

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Hudson Technologies, Inc. and Subsidiaries

Consolidated Statements of Income

(unaudited)

(Amounts in thousands, except for share and per share amounts)

	Three months ended June 30,		Six months ended June 30,		Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenues	$ 90,474	$ 103,941	$ 167,673	$ 188,279	$ 76,496	$ 89,502	$ 244,169	$ 277,781
Cost of sales	53,847	46,444	100,716	84,962	45,916	45,263	146,632	130,225
Gross profit	36,627	57,497	66,957	103,317	30,580	44,239	97,537	147,556
Operating expenses:								
Selling, general and administrative	8,273	7,014	15,250	13,838	6,760	7,219	22,010	21,057
Amortization	699	699	1,397	1,397	698	698	2,095	2,095
Total operating expenses	8,972	7,713	16,647	15,235	7,458	7,917	24,105	23,152
Operating income	27,655	49,784	50,310	88,082	23,122	36,322	73,432	124,404
Other expense:								
Net interest expense	1,899	2,623	3,748	9,928	4,358	2,365	8,106	12,293
Income before income taxes	25,756	47,161	46,562	78,154	18,764	33,957	65,326	112,111
Income tax expense	6,567	7,351	11,842	8,789	5,182	4,601	17,024	13,390
Net income	$ 19,189	$ 39,810	$ 34,720	$ 69,365	$ 13,582	$ 29,356	$ 48,302	$ 98,721
Net income per common share – Basic	$ 0.42	$ 0.89	$ 0.77	$ 1.55	$ 0.30	$ 0.65	$ 1.07	$ 2.20
Net income per common share – Diluted	$ 0.41	$ 0.84	$ 0.73	$ 1.48	$ 0.29	$ 0.62	$ 1.02	$ 2.10
Weighted average number of shares outstanding – Basic	45,339,570	44,960,464	45,319,155	44,870,642	45,404,963	45,063,810	45,348,072	44,935,739
Weighted average number of shares outstanding – Diluted	47,297,419	47,152,257	47,305,196	46,974,441	47,345,380	47,181,424	47,319,464	47,053,010

See Accompanying Notes to the Consolidated Financial Statements.

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

Three Months Ended June September 30,

	Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance at July 1, 2022	45,020,087	$ 450	$ 116,943	$ 23,544	$ 140,937

Issuance of common stock upon exercise of stock options	50,281	1	58	—	59
Excess tax benefits from exercise of stock options	—	—	(10)	—	(10)
Stock compensation expense	—	—	247	—	247
Net income	—	—	—	29,356	29,356
Balance at September 30, 2022	**45,070,368**	**$ 451**	**$ 117,238**	**$ 52,900**	**$ 170,589**
Balance at July 1, 2023	**45,375,598**	**$ 454**	**$ 118,296**	**$ 92,700**	**$ 211,450**
Issuance of common stock upon exercise of stock options	108,727	1	1	—	2
Excess tax benefits from exercise of stock options	—	—	(690)	—	(690)
Stock compensation expense	—	—	240	—	240
Net income	—	—	—	13,582	13,582
Balance at September 30, 2023	**45,484,325**	**$ 455**	**$ 117,847**	**$ 106,282**	**$ 224,584**

Nine Months Ended September 30,

	Common Stock		Additional Paid-in	Retained Earnings (Accumulated	
	Shares	**Amount**	**Capital**	**Deficit)**	**Total**
Balance at April 1, 2022	**44,909,704**	**$ 449**	**$ 116,713**	**$ (16,266)**	**$ 100,896**
Issuance of common stock upon exercise of stock options	110,383	1	51	—	52
Excess tax benefits from exercise of stock options	—	—	(1)	—	(1)
Stock compensation expense	—	—	180	—	180
Net income	—	—	—	39,810	39,810
Balance at June 30, 2022	**45,020,087**	**$ 450**	**$ 116,943**	**$ 23,544**	**$ 140,937**
Balance at April 1, 2023	**45,328,892**	**$ 453**	**$ 117,535**	**$ 73,511**	**$ 191,499**
Issuance of common stock upon exercise of stock options	46,706	1	—	—	1
Excess tax benefits from exercise of stock options	—	—	(1)	—	(1)
Stock compensation expense	—	—	762	—	762
Net income	—	—	—	19,189	19,189
Balance at June 30, 2023	**45,375,598**	**$ 454**	**$ 118,296**	**$ 92,700**	**$ 211,450**

Six Months Ended June 30,

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	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total
Balance at January 1, 2022	**44,758,925**	**$ 448**	**$ 116,312**	**$ (45,821)**	**$ 70,939**	**44,758,925**	**$ 448**	**$ 116,312**	**$ (45,821)**	**$ 70,939**
Issuance of common stock upon exercise of stock options	261,162	2	121	—	123	311,443	3	179	—	182
Excess tax benefits from exercise of stock options	—	—	(73)	—	(73)	—	—	(83)	—	(83)
Stock compensation expense	—	—	583	—	583	—	—	830	—	830
Net income	—	—	—	69,365	69,365	—	—	—	98,721	98,721
Balance at June 30, 2022	**45,020,087**	**$ 450**	**$ 116,943**	**$ 23,544**	**$140,937**					
Balance at September 30, 2022						**45,070,368**	**$ 451**	**$ 117,238**	**$ 52,900**	**$170,589**
Balance at January 1, 2023	**45,287,619**	**$ 453**	**$ 116,442**	**$ 57,980**	**$174,875**	**45,287,619**	**$ 453**	**$ 116,442**	**$ 57,980**	**$174,875**
Issuance of common stock upon exercise of stock options	87,979	1	38	—	39	196,706	2	37	—	39
Excess tax benefits from exercise of stock options	—	—	(3)	—	(3)	—	—	(693)	—	(693)
Stock compensation expense	—	—	1,819	—	1,819	—	—	2,061	—	2,061
Net income	—	—	—	34,720	34,720	—	—	—	48,302	48,302
Balance at June 30, 2023	**45,375,598**	**$ 454**	**$ 118,296**	**$ 92,700**	**$211,450**					
Balance at September 30, 2023						**45,484,325**	**$ 455**	**$ 117,847**	**$ 106,282**	**$224,584**

See Accompanying Notes to the Consolidated Financial Statements

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Hudson Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)
(Amounts in thousands)

	Six months ended June 30, 2023	Six months ended June 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from operating activities:				
Net income	$ 34,720	$ 69,365	$ 48,302	$ 98,721
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation	1,495	1,726	2,213	2,455

Amortization of intangible assets	1,397	1,397	2,095	2,095
Lower of cost or net realizable value reserve	(1,104)	(1,155)	(2,195)	(1,155)
Allowance for doubtful accounts	851	1,207	800	1,711
Stock compensation expense	1,819	583	2,061	830
Amortization of deferred finance costs	538	2,004	669	2,152
Loss on extinguishment of debt	—	4,665	3,427	4,665
Deferred tax expense (benefit)	2,917	(1,602)		
Deferred tax expense			4,280	(814)
Changes in assets and liabilities:				
Trade accounts receivable	(29,037)	(30,727)	(24,863)	(26,156)
Inventories	12,037	(23,366)	8,341	(24,860)
Prepaid and other assets	(5,200)	1,677	(684)	(9,990)
Lease obligations	2	15	1	16
Income taxes receivable	(1,741)	—	(4,212)	—
Accounts payable and accrued expenses	2,552	8,078	3,283	10,346
Cash provided by operating activities	21,246	33,867	43,518	60,016
Cash flows from investing activities:				
Additions to property, plant, and equipment	(837)	(820)	(2,215)	(1,715)
Cash used in investing activities	(837)	(820)	(2,215)	(1,715)
Cash flows from financing activities:				
Proceeds from issuance of common stock	39	123	39	182
Excess tax benefits from exercise of stock options	(3)	(73)	(693)	(83)
Payment of deferred financing cost	—	(8,512)	—	(8,512)
Borrowing of short-term debt – net	—	(15,000)	5,000	—
Proceeds from long-term debt	—	100,000	—	100,000
Repayment of long-term debt	(14,325)	(92,395)	(47,161)	(138,331)
Cash used in financing activities	(14,289)	(15,857)	(42,815)	(46,744)
Increase in cash and cash equivalents	6,120	17,190		
(Decrease) increase in cash and cash equivalents			(1,512)	11,557
Cash and cash equivalents at beginning of period	5,295	3,492	5,295	3,492
Cash and cash equivalents at end of period	$ 11,415	$ 20,682	$ 3,783	$ 15,049
Supplemental Disclosure of Cash Flow Information:				
Cash paid during period for interest	$ 2,952	$ 7,911	$ 4,232	$ 10,100
Cash paid for income taxes – net	$ 10,665	$ 5,908	$ 16,955	$ 9,791

See Accompanying Notes to the Consolidated Financial Statements

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Hudson Technologies, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Business

Hudson Technologies, Inc. ("Hudson" or the "Company"), incorporated under the laws of New York on January 11, 1991, is a refrigerant services company providing innovative solutions to recurring problems within the refrigeration industry. Hudson has proven, reliable programs that meet customer refrigerant needs by providing environmentally sustainable solutions from initial sale of refrigerant gas through recovery, reclamation and reuse, peak operating performance of equipment through energy efficiency and emergency air conditioning and refrigeration system repair, to final refrigerant disposal and carbon credit trading.

The Company's operations consist of one reportable segment. The Company's products and services are primarily used in commercial air conditioning, industrial processing and refrigeration systems, and include refrigerant and industrial gas sales, refrigerant management services consisting primarily of reclamation of refrigerants and RefrigerantSide® Services performed at a customer's site. RefrigerantSide® Services consist of system decontamination to remove moisture, oils and other contaminants intended to restore systems to designed capacity. In addition, the Company's SmartEnergy OPS® service is a web-based real time continuous monitoring service applicable to a facility's refrigeration systems and other energy systems. The Company's Chiller Chemistry® and Chill Smart® services are also predictive and diagnostic service offerings. As a component of the Company's products and services, the Company also participates in the generation of carbon offset projects. The Company operates principally through its wholly-owned subsidiary, Hudson Technologies Company. Unless the context requires otherwise, references to the "Company", "Hudson", "we", "us", "our", or similar pronouns refer to Hudson Technologies, Inc. and its subsidiaries.

In preparing the accompanying consolidated financial statements, and in accordance with Accounting Standards Codification ("ASC") 855-10 "Subsequent Events", the Company's management has evaluated subsequent events through the date that the financial statements were filed.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial information included in this quarterly report should be read in conjunction with the Company's audited financial statements and related notes thereto for the year ended December 31, 2022. Operating results for the six-month nine-month period ended June 30, 2023 September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

In the opinion of management, all estimates and adjustments considered necessary for a fair presentation have been included and all such adjustments were normal and recurring.

AIM Act

On September 23, 2021, the United States Environmental Protection Agency ("EPA") issued the final rule establishing the framework to allocate allowances for virgin production and consumption of hydrofluorocarbon refrigerants ("HFCs"). The EPA is responsible for the administration of the HFC phase down enacted by Congress under the AIM Act.

The AIM Act directs the EPA to address the reduction in virgin HFCs and provides authority to do so in three respects:

1) phase down the production and consumption of listed HFCs,
2) manage these HFCs and their substitutes including reclamation of refrigerants, and
3) facilitate the transition to next-generation technologies.

Congress required that the EPA consider ways to promote reclamation in all phases of its implementation of the AIM Act. The AIM Act introduces a stepdown of 10% from baseline levels in 2022 and 2023, and establishes a cumulative 40% reduction in the baseline for 2024. Hudson received allocation allowances for calendar years 2022 and 2023 equal to approximately 3 million Metric Tons Exchange Value Equivalents per year, or approximately 1% of the total HFC consumption, with allowances for future periods to be determined at a later date. Reclamation will be critical to maintaining necessary HFC supply levels to ensure an orderly phasedown.

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On October 6, 2023, the EPA announced the latest actions to phase down HFCs under the AIM Act:

1) The first new action is a final rule to accelerate the ongoing transition to more efficient and climate-safe technologies in new refrigeration, heating and cooling systems and other products by restricting the use of HFCs where alternatives are already available. The rule, which applies to both imported and domestically manufactured products, bans HFCs in certain equipment and sets a limit on the global warming potentials (GWPs) of the HFCs that can be used in each subsector, with compliance dates ranging from 2025 to 2028.

2) The second action is a proposed rule (subject to further comments) to better manage and reuse existing HFCs, including by reducing wasteful leaks from equipment and supporting HFC recycling and reclamation. The proposed rule includes requirements for repairing leaky equipment, use of automatic leak detection systems on large refrigeration systems, use of reclaimed HFCs for certain applications, recovery of HFCs from cylinders before their disposal, and a container tracking system.

Consolidation

The consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, 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. The Company does not present a statement of comprehensive income as its comprehensive income is the same as its net income.

Fair Value of Financial Instruments

The carrying values of financial instruments including cash, trade accounts receivable and accounts payable approximate fair value at June 30, 2023 September 30, 2023 and December 31, 2022, because of the relatively short maturity of these instruments. The carrying value of debt approximates fair value, due to the variable rate nature of the debt, as of June 30, 2023 September 30, 2023 and December 31, 2022. See Note 2 for further details.

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 and, at times, the balances exceed FDIC insurance coverage. The Company's trade accounts receivable are primarily due from companies throughout the United States. 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. The carrying value of the Company's accounts receivable is reduced by the established allowance for doubtful accounts. The allowance for doubtful accounts includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve for the remaining accounts receivable balances. The Company adjusts its reserves based on factors that affect the collectability of the accounts receivable balances.

For the six nine month period ended June 30, 2023 September 30, 2023 there was one customer accounting for greater than 10% of the Company's revenues and at June 30, 2023 September 30, 2023 there were $14.6 million $19.7 million of accounts receivable from this customer. For the six-month nine-month period ended June 30, 2022 September 30, 2022 there was no customer accounting for 10% of the Company's revenues.

The loss of a principal customer or a decline in the economic prospects of and/or a reduction in purchases of the Company's products or services by any such customer could have a material adverse effect on the Company's operating results and financial position.

Cash and Cash Equivalents

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

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Inventories

Inventories, consisting primarily of refrigerant products available for sale, are stated at the lower of cost, on a first-in first-out basis, or net realizable value. Where the market price of inventory is less than the related cost, the Company may be required to write down its inventory through a lower of cost or net realizable value adjustment, the impact of which would be reflected in cost of sales on the Consolidated Statements of Operations. Any such adjustment would be based on management's judgment regarding future demand and market conditions and analysis of historical experience.

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. Costs of maintenance and repairs are charged to expense when incurred.

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.

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Goodwill

The Company has made acquisitions that included a significant amount of goodwill and other intangible assets. The Company applies the purchase method of accounting for acquisitions, which among other things, requires the recognition of goodwill (which represents the excess of the purchase price of the acquisition over the fair value of the net assets acquired and identified intangible assets). The Company tests its goodwill for impairment annually on a qualitative or quantitative basis (on the first day of the fourth quarter) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an asset below its carrying value. Goodwill is tested for impairment at the reporting unit level. When performing the annual impairment test, the Company has the option of first performing a qualitative assessment, which requires management to make assumptions affecting a reporting unit, to determine the existence of events and circumstances that would lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If such a conclusion is reached, the Company is then required to perform a quantitative impairment assessment of goodwill. The Company has one reporting unit at June 30, 2023 September 30, 2023. Other intangible assets that meet certain criteria are amortized over their estimated useful lives.

An impairment charge is recorded based on the excess of a reporting unit's carrying amount over its fair value. An impairment charge would be recognized when the carrying amount exceeds the estimated fair value of a reporting unit. These impairment evaluations use many assumptions and estimates in determining an impairment loss, including certain assumptions and estimates related to future earnings. If the Company does not achieve its earnings objectives, the assumptions and estimates underlying these impairment evaluations could be adversely affected, which could result in an asset impairment charge that would negatively impact operating results. During the fourth quarter of 2022, the Company completed its annual impairment test as of October 1 and determined in its qualitative assessment it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, resulting in no goodwill impairment. There can be no assurances that future sustained declines in macroeconomic or business conditions affecting our industry will not occur, which could result in goodwill impairment charges in future periods.

There were no goodwill impairment losses recognized in 2022 or the six nine months ended June 30, 2023 September 30, 2023.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) (ASU 2016-02), as amended, which generally requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. The Company accounts for operating leases in accordance with ASU 2016-02. The Company's accounting for finance leases remained substantially unchanged. See Note 5 for further details and current balances.

Cylinder Deposit Liability

The cylinder deposit liability, which is included in accrued expenses and other current liabilities on the Company's Balance Sheet, represents the amount due to customers for the return of refillable cylinders. The Company's Aspen Refrigerants division ("ARI") charges its customers cylinder deposits upon the shipment of refrigerant gases that are contained in refillable cylinders. The amount charged to the customer by ARI approximates the cost of a new cylinder of the same size. Upon return of a cylinder, this liability is reduced. The cylinder deposit liability balance was $15.9 million $16.6 million and $13.6 million at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

Revenues and Cost of Sales

The Company's products and services are primarily used in commercial air conditioning, industrial processing and refrigeration systems. Most of the Company's revenues are realized from the sale of refrigerant and industrial gases and related products. The Company also generates revenue from refrigerant management services performed at a customer's site and in-house. The Company conducts its business primarily within the US.

The Company applies the FASB's guidance on revenue recognition, which requires the Company to recognize revenue in an amount that reflects the consideration to which the Company expects to be entitled in exchange for goods or services transferred to its customers. In most instances, the Company's contract with a customer is the customer's purchase order and the sales price to the customer is fixed. For certain customers, the Company may also enter into a sales agreement outlining a framework of terms and conditions applicable to future purchase orders received from that customer. Because the Company's contracts with customers are typically for a single customer purchase order, the duration of the contract is usually less than one year. The Company's performance obligations related to product sales are satisfied at a point in time, which may occur upon shipment of the product or receipt by the customer, depending on the terms of the arrangement. The Company's performance obligations related to reclamation and RefrigerantSide® services are generally satisfied at a point in time when the service is performed. Accordingly, revenues are recorded upon the shipment of the product, or in certain instances upon receipt by the customer, or the completion of the service.

In July 2016 the Company was awarded, as prime contractor, a five-year contract, including a five-year renewal option, which has been exercised through July 2026, by the United States Defense Logistics Agency ("DLA") for the management, supply, and sale of refrigerants, compressed gases, cylinders, and related services. Due to the contract containing multiple performance obligations, the Company assessed the arrangement in accordance with ASC 606-10-25-14. The Company determined that the sale of refrigerants and the management services provided under the contract each have stand-alone value. Accordingly, the performance obligation related to the sale of refrigerants is satisfied at a point in time, mainly when the customer receives and obtains control of the product. The performance obligation related to management service revenue is satisfied over time and revenue is recognized on a straight-line basis over the term of the arrangement as the management services are provided.

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. In general, the Company performs shipping and handling services for its customers in connection with the delivery of refrigerant and other products. The Company elected to implement ASC 606-10-25-18B, whereby the Company accounts for such shipping and handling as activities to fulfill the promise to transfer the good. To the extent that the Company charges its customers shipping fees, such amounts are included as a component of revenue and the corresponding costs are included as a component of cost of sales.

Income Taxes

The Company is taxed at statutory corporate income tax rates after adjusting income reported for financial statement purposes for certain items. Current income tax expense (benefit) reflects the tax results of revenues and expenses currently taxable or deductible. The Company utilizes the asset and liability method of accounting for deferred income taxes, which provides for the recognition of deferred tax assets or liabilities, based on enacted tax rates and laws, for the differences between the financial and income tax reporting bases of assets and liabilities. The tax benefit associated with the Company's net operating loss carry forwards ("NOLs") is recognized to the extent that the Company expects to realize future taxable income.

During the year ended December 31, 2022, the Company concluded that its deferred tax assets were more likely than not to become realizable. The Company fully reversed its existing valuation allowance of $15.1 million, with $11.6 million reversed during the first and second quarters of 2022, and the remaining $3.5

million through the third and fourth quarters of 2022. The conclusion that a valuation allowance was no longer needed was based on the achievement of three years of cumulative pre-tax income, the utilization of the Company's $29.3 million federal NOLs, which comprised a majority of the Company's deferred tax assets, combined with estimates of future years' pre-tax income that were sufficient to realize the remaining deferred tax assets.

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As of June 30, 2023 September 30, 2023, the Company had no federal NOLs, as the Company utilized all of its remaining federal NOLs during the year ended December 31, 2022. As of June 30, 2023 September 30, 2023, the Company had state tax NOLs of approximately $1.8 million, expiring in various years. We review the likelihood that we will realize the benefit of our deferred tax assets on a quarterly basis.

The Company evaluates uncertain tax positions, if any, by determining if it is more likely than not to be sustained upon examination by the taxing authorities. As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company believes it had no uncertain tax positions.

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Income per Common and Equivalent Shares

If dilutive, common equivalent shares (common shares assuming exercise of options) utilizing the treasury stock method are considered in the presentation of diluted income per share. The reconciliation of shares used to determine net income per share is as follows (dollars in thousands, unaudited):

	Three Months ended June 30,		Six Months ended June 30,		Three Months ended September 30,		Nine Months ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net income	$ 19,189	$ 39,810	$ 34,720	$ 69,365	$ 13,582	$ 29,356	$ 48,302	$ 98,721
Weighted average number of shares – basic	45,339,570	44,960,464	45,319,155	44,870,642	45,404,963	45,063,810	45,348,072	44,935,739
Shares underlying options	1,957,849	2,191,793	1,986,041	2,103,799	1,940,417	2,117,614	1,971,392	2,117,271
Weighted average number of shares – diluted	47,297,419	47,152,257	47,305,196	46,974,441	47,345,380	47,181,424	47,319,464	47,053,010

During the three month periods ended June 30, 2023 September 30, 2023 and 2022, certain options aggregating 602,321 7,444 and 752 2,743 shares, respectively, have been excluded from the calculation of diluted shares, due to the fact that their effect would be anti-dilutive.

During the six nine month periods ended June 30, 2023 September 30, 2023 and 2022, certain options aggregating 499,857 7,444 and 1,090 2,980 shares, respectively, have been excluded from the calculation of diluted shares, due to the fact that their effect would be anti-dilutive.

Estimates and Risks

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires the use of estimates and assumptions that affect the amounts reported in these financial statements and footnotes. The Company considers these accounting estimates to be critical in the preparation of the accompanying consolidated financial statements. The Company uses information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used. Additionally, these estimates may not ultimately reflect the actual amounts of the final transactions that occur. The Company utilizes both internal and external sources to evaluate potential current and future liabilities for various commitments and contingencies. In the event that the assumptions or conditions change in the future, the estimates could differ from the original estimates.

Several of the Company's accounting policies involve significant judgments, uncertainties, and estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. To the extent that actual results differ from management's judgments and estimates, there could be a material adverse effect on the Company. On a continuous basis, the Company evaluates its estimates, including, but not limited to, those estimates related to its allowance for doubtful accounts, inventory reserves, goodwill and commitments and contingencies. With respect to trade accounts receivable, the Company estimates the necessary allowance for doubtful accounts based on both historical and anticipated trends of payment history and the ability of the customer to fulfill its obligations. For inventory, the Company evaluates both current and anticipated sales prices of its products to determine if a write down of inventory to net realizable value is necessary.

The Company participates in an industry that is highly regulated, and changes in the regulations affecting its business could affect its operating results. Currently the Company purchases virgin hydrofluorocarbon ("HFC") and hydrofluroolefin ('("HFO") refrigerants and reclaimable, primarily hydrochlorofluorocarbons ("HCFC"), HFC and chlorofluorocarbon ("CFC"), refrigerants from suppliers and its customers. To the extent that the Company is unable to source sufficient quantities of refrigerants or is unable to obtain refrigerants on commercially reasonable terms or experiences a decline in demand and/or price for refrigerants sold by the Company, the Company could realize reductions in revenue from refrigerant sales, which could have a material adverse effect on its operating results and its financial position. The process of sourcing refrigerants includes various procurement costs, such as freight, processing, insurance, and other costs, relating to the delivery of refrigerants. As a result of the recently noted global supply

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chain issues, the Company determined it could be exposed to incremental costs related to these refrigerant purchases. These costs represent the Company's initial estimate that are possibly subject to finalization in future periods and are recorded in accrued expenses and other current liabilities on the consolidated balance sheet as of June 30, 2023 September 30, 2023.

The Company is subject to various legal proceedings. The Company assesses the merit and potential liability associated with each of these proceedings. In addition, 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 could have a material adverse effect on its operating results and its financial position.

Impairment of Long-lived Assets

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.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope, and in November 2018, issued ASU No. 2018-19 and in April 2019, issued ASU No. 2019-04 and in May 2019, issued ASU No. 2019-05, and in November 2019, issued ASU No. 2019-11, which each amended the standard. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company adopted ASU No. 2016-13 on January 1, 2023. The adoption of ASU No. 2016-13 did not have a material impact on its results of operations or financial position.

In August 2020, the FASB issued ASU 2020-06, "Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which is intended to simplify the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, Debt-Debt with Conversion and Other Options, for convertible instruments. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company adopted ASU 2020-06 on January 1, 2023. The adoption of ASU 2020-06 did not have a material impact on its results of operations or financial position.

Note 2 - Fair Value

ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observable inputs used in the valuation techniques, the Company is required to provide information according to the fair value hierarchy.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values into three broad levels as follows:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

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Level 3: Valuations for assets and liabilities include certain unobservable inputs in the assumptions and projections used in determining the fair value assigned to such assets or liabilities.

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In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Note 3 - Inventories

Inventories consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022

(in thousands)	(unaudited)		(unaudited)	
Refrigerants and cylinders	$ 140,631	$ 152,840	$ 144,123	$ 152,840
Less: net realizable value adjustments	(6,187)	(7,463)	(4,892)	(7,463)
Total	$ 134,444	$ 145,377	$ 139,231	$ 145,377

Note 4 - Property, plant and equipment

Elements of property, plant and equipment are as follows:

(in thousands)	June 30, 2023 (unaudited)	December 31, 2022	Estimated Lives	September 30, 2023 (unaudited)	December 31, 2022	Estimated Lives
Property, plant and equipment						
- Land	$ 1,255	$ 1,255		$ 1,255	$ 1,255	
- Land improvements	319	319	6-10 years	319	319	6-10 years
- Buildings	1,446	1,446	25-39 years	1,446	1,446	25-39 years
- Building improvements	3,422	3,396	25-39 years	3,467	3,396	25-39 years
- Cylinders	13,300	13,315	15-30 years	13,300	13,315	15-30 years
- Equipment	28,205	27,258	3-10 years	28,920	27,258	3-10 years
- Equipment under capital lease	315	315	5-7 years	315	315	5-7 years
- Vehicles	1,736	1,773	3-5 years	1,789	1,773	3-5 years
- Lab and computer equipment, software	3,233	3,103	2-8 years	3,233	3,103	2-8 years
- Furniture & fixtures	930	840	5-10 years	933	840	5-10 years
- Leasehold improvements	852	852	3-5 years	865	852	3-5 years
- Construction-in-progress	3,192	3,533		3,741	3,533	
Subtotal	58,205	57,405		59,583	57,405	
Less: Accumulated depreciation	(38,296)	(36,837)		(39,013)	(36,837)	
Total	$ 19,909	$ 20,568		$ 20,570	$ 20,568	

Depreciation expense for the six nine months ended June 30, 2023 September 30, 2023 and 2022 was $1.5 million $2.2 million and $1.7 million $2.5 million, respectively.

Note 5 - Leases

The Company has various lease agreements with terms up to 11 years, including leases of buildings and various equipment. Some leases include options to purchase, terminate or extend for one or more years. These options are included in the lease term when it is reasonably certain that the option will be exercised.

At inception, the Company determines if an arrangement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. Some of the Company's lease arrangements contain lease components (e.g. minimum rent payments) and non-lease components (e.g. common area maintenance, charges, utilities and property taxes). The Company elected the package of practical expedients permitted under the transition guidance, which allows it to carry forward its historical lease classification, its assessment on whether a contract contains a lease, and its initial direct costs for any leases that existed prior to the adoption of the new standard. The Company also elected to combine lease and non-lease components and to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term. The Company's lease agreements do not contain any material residual value, guarantees or material restrictive covenants.

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straight-line basis over the lease term. The Company's lease agreements do not contain any material residual value, guarantees or material restrictive covenants.

Operating leases are included in Right of use asset, Accrued expenses and other current liabilities, and Long-term lease liabilities on the consolidated balance sheets. These assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term using the Company's secured incremental borrowing rates or implicit rates, when readily determinable. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the balance sheet. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred.

Operating lease expense of $1.3 million $2.1 million and $1.9 million, for both of the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, is included in Selling, general and administrative expenses on the consolidated statements of operations.

The following table presents information about the amount, timing and uncertainty of cash flows arising from the Company's operating leases as of June 30, 2023 September 30, 2023.

Maturity of Lease Payments	June 30, 2023	September 30, 2023
(in thousands)	(unaudited)	(unaudited)
2023 (remaining)	$ 1,597	$ 1,291
-2024	2,372	2,372
-2025	1,994	2,173
-2026	1,374	1,283
-2027		799
-Thereafter	1,929	960
Total undiscounted operating lease payments	9,266	8,878
Less imputed interest	(1,684)	(1,739)
Present value of operating lease liabilities	$ 7,582	$ 7,139

Balance Sheet Classification

	June 30, 2023	September 30, 2023
(in thousands)	(unaudited)	(unaudited)
Current lease liabilities (recorded in Accrued expenses and other current liabilities)	$ 1,809	$ 1,972
Long-term lease liabilities	5,773	5,167
Total operating lease liabilities	$ 7,582	$ 7,139

Other Information

	June September 30, 2023
Weighted-average remaining term for operating leases	3.21 3.07 years
Weighted-average discount rate for operating leases	8.22 8.24 %

Cash Flows

Cash paid for amounts included in the present value of operating lease liabilities was $1.3 million during the six nine months ended June 30, 2023 September 30, 2023 and 2022 was $2.1 million and $1.9 million, respectively and is included in operating cash flows.

Note 6 - Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for under the purchase method of accounting.

There were no goodwill impairment losses recognized for the six-month nine-month period ended June 30, 2023 September 30, 2023, and year ended December 31, 2022. Based on the results of the impairment assessments of goodwill and intangible assets performed, management concluded that the fair value of the Company's goodwill exceeds the carrying value and that there are no impairment indicators related to intangible assets.

At June 30, 2023 and December 31, 2022 the Company had $47.8 million of goodwill.

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At September 30, 2023 and December 31, 2022 the Company had $47.8 million of goodwill.

The Company's other intangible assets consist of the following:

		June 30, 2023 (unaudited)			December 31, 2022				September 30, 2023 (unaudited)			December 3	
(in thousands)	Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net	Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumul Amortiza
Intangible assets with determinable lives													
Covenant not to compete	6 – 10	870	754	116	870	710	160	6 – 10	870	776	94	870	
Customer relationships	3 – 12	31,560	15,821	15,739	31,560	14,491	17,069	3 – 12	31,560	16,486	15,074	31,560	14,
Above market leases	13	567	255	312	567	232	335	13	567	266	301	567	
Total identifiable intangible assets		$32,997	$ 16,830	$16,167	$32,997	$ 15,433	$17,564		$32,997	$ 17,528	$15,469	$32,997	$ 15,

Amortization expense for the six nine months ended June 30, 2023 September 30, 2023 and 2022 was $1.4 million $2.1 million for both periods. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

Note 7 - Share-based compensation

Share-based compensation represents the cost related to share-based awards, typically stock options or stock grants, granted to employees, non-employees, officers and directors. Share-based compensation is measured at grant date, based on the estimated aggregate fair value of the award on the grant date, and such amount is charged to compensation expense on a straight-line basis (net of estimated forfeitures) over the requisite service period. For the six nine month periods ended June 30, 2023 September 30, 2023 and 2022, share-based compensation expense of $1.8 million $2.1 million and $0.6 million $0.8 million, respectively, is reflected in Selling, general and administrative expenses in the consolidated Income Statements.

Share-based awards have historically been made as stock options, and recently also as stock grants, issued pursuant to the terms of the Company's stock option and stock incentive plans (collectively, the "Plans"), described below. The Plans may be administered by the Board of Directors or the Compensation Committee of the Board or by another committee appointed by the Board from among its members as provided in the Plans. Presently, the Plans are administered by the Company's Compensation Committee of the Board of Directors. As of June 30, 2023 September 30, 2023 there were an aggregate of 4,227,261 4,350,191 shares of the Company's common stock available under the Plans for issuance for future stock option grants or other stock based awards.

Stock option awards, which allow the recipient to purchase shares of the Company's common stock at a fixed price, are typically granted at an exercise price equal to the Company's stock price at the date of grant. Typically, the Company's stock option awards have vested from immediately to two years from the grant date and have had a contractual term ranging from three to ten years. ISOs granted under the Plans 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). Nonqualified options granted under the Plans may not be granted at a price less than the fair market value of the common stock. Options granted under the Plans 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 September 17, 2014, the Company adopted its 2014 Stock Incentive Plan ("2014 Plan") pursuant to which 3,000,000 shares of common stock were reserved for issuance (i) upon the exercise of options, designated as either ISOs under the Code or nonqualified options, or (ii) as stock, deferred stock or other stock-based awards. ISOs may be granted under the 2014 Plan to employees and officers of the Company. Non-qualified options, stock, deferred stock or other stock-based awards 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 the 2014 Plan is sooner terminated, the ability to grant options or other awards under the 2014 Plan will expire on September 17, 2024.

Effective June 7, 2018, the Company adopted its 2018 Stock Incentive Plan ("2018 Plan") pursuant to which 4,000,000 shares of common stock were reserved for issuance (i) upon the exercise of options, designated as either ISOs under the Code or nonqualified options, or (ii) as stock, deferred stock or other stock-based awards. ISOs may be granted under the 2018 Plan to employees and officers of the Company. Non-qualified options, stock, deferred stock or other stock-based awards 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 the 2018 Plan is sooner terminated, the ability to grant options or other awards under the 2018 Plan will expire on June 7, 2028.

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Effective June 11, 2020, the Company adopted its 2020 Stock Incentive Plan ("2020 Plan") pursuant to which 3,000,000 shares of common stock were reserved for issuance (i) upon the exercise of options, designated as either ISOs under the Code or nonqualified options, or (ii) as stock, deferred stock or other stock-based awards. ISOs may be granted under the 2020 Plan to employees and officers of the Company. Non-qualified options, stock, deferred stock or other stock-based awards 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 the 2020 Plan is sooner terminated, the ability to grant options or other awards under the 2020 Plan will expire on June 11, 2030.

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 determines the fair value of share-based awards at the grant date by using the Black-Scholes option-pricing model, and has utilized the simplified method to compute expected lives of share-based awards. There were options to purchase 585,054 592,798 and 354,838 379,070 shares of common stock granted during the six nine month periods ended June 30, 2023 September 30, 2023 and 2022, respectively.

A summary of the activity for stock options issued under the Company's Plans for the indicated periods is presented below:

Stock Option Plan Totals	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at December 31, 2021	**2,604,023**	**$ 1.03**	**2,604,023**	**$ 1.03**
-Cancelled	(11,781)	$ 3.75	(11,781)	$ 3.75
-Exercised	(583,273)	$ 1.15	(583,273)	$ 1.15
-Granted (1)	381,181	$ 4.33	381,181	$ 4.33
Outstanding at December 31, 2022	**2,390,150**	**$ 1.51**	**2,390,150**	**$ 1.51**
-Cancelled	(1,450)	$ 10.28	(26,150)	$ 9.62
-Exercised	(54,751)	$ 1.57	(275,405)	$ 2.68
-Granted (2)	585,054	$ 10.00	592,798	$ 10.02
Outstanding at June 30, 2023, unaudited	**2,919,003**	**$ 3.20**		
Outstanding at September 30, 2023, unaudited			**2,681,393**	**$ 3.26**

(1) Options to purchase 381,181 shares were granted in 2022, of which options to purchase 40,588 shares vested immediately in 2022 and the remainder vested 50% immediately and 50% one year after the date of the grants.

(2) Options to purchase 567,654 575,098 shares were granted in 2023, of which options to purchase 334,005 337,727 shares vested immediately in 2023 and the remainder vested 50% immediately and 50% one year after the date of the grants. In addition, 17,400 17,700 stock appreciation rights were granted in January 2023 with a six nine- month vesting period.

The following is the weighted average contractual life in years and the weighted average exercise price at June 30, 2023 September 30, 2023 of:

	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Options outstanding and vested	2,667,043	4.63 years	$ 2.56	2,444,022	4.64 years	$ 2.60

The intrinsic value of options outstanding at June 30, 2023 September 30, 2023 and December 31, 2022 was $18.7 $26.9 million and $20.6 million, respectively.

The intrinsic value of options unvested at June 30, 2023 September 30, 2023 and December 31, 2022 was $0.0 million $0.8 million and $1.1 million, respectively.

The intrinsic value of options exercised during the six nine months ended June 30, 2023 September 30, 2023 and 2022 was $0.4 million $2.3 million and $1.8 million $2.1 million, respectively.

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Note 8 - Short-term and Long-term debt

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

(in thousands)	June 30, 2023 (unaudited)	December 31, 2022	September 30, 2023 (unaudited)	December 31, 2022
Short-term & long-term debt				
Short-term debt:				
- Revolving credit line and other debt			$ 5,000	$ —
- Term loan facility – current	$ 4,250	$ 4,250	—	4,250
Subtotal	4,250	4,250	5,000	4,250
Long-term debt:				
- Term loan facility- net of current portion of long-term debt	13,238	27,563	—	27,563
- FILO term loan	15,000	15,000	—	15,000
- Less: deferred financing costs on term loan	(3,153)	(3,578)	—	(3,578)
Subtotal	25,085	38,985	—	38,985
Total short-term & long-term debt	$ 29,335	$ 43,235	$ 5,000	$ 43,235

Revolving Credit Facility

On March 2, 2022, Hudson Technologies Company ("HTC") and Hudson Holdings, Inc. ("Holdings"), as borrowers (collectively, the "Borrowers"), and Hudson Technologies, Inc (the "Company") as a guarantor, entered into an Amended and Restated Credit Agreement (the "Amended Wells Fargo Facility") with Wells Fargo Bank, National Association, as administrative agent and lender ("Agent" or "Wells Fargo") and such other lenders as have or may thereafter become a party to the Amended Wells Fargo Facility. The Amended Wells Fargo facility amended and restated the prior Wells Fargo Facility entered into on December 19, 2019.

Under the terms of the Amended Wells Fargo Facility, the Borrowers may borrow up to $90 million consisting of: (i) $15 million immediately borrowed in the form of a “first in last out” term loan (the “FILO Tranche”) and (ii) from time to time, up to $75 million at any time consisting of revolving loans (the “Revolving Loans”) in a maximum amount up to the lesser of $75 million and a borrowing base that is calculated based on the outstanding amount of the Borrowers’ eligible receivables and eligible inventory, as described in the Amended Wells Fargo Facility. The Amended Wells Fargo Facility also contains a sublimit of $9 million for swing line loans and $2 million for letters of credit. The Company currently has a $0.9 million letter of credit outstanding. The FILO Tranche was repaid in full in July 2023 and may not be reborrowed.

Amounts borrowed under the Amended Wells Fargo Facility may be used for working capital needs, certain permitted acquisitions, and to reimburse drawings under letters of credit.

Interest under the Amended Wells Fargo Facility is payable in arrears on the first day of each month. Interest charges with respect to Revolving Loans are computed on the actual principal amount of Revolving Loans outstanding at a rate per annum equal to (A) with respect to Base Rate loans, the sum of (i) a rate per annum equal to the higher of (1) 1.0%, (2) the federal funds rate plus 0.5%, (3) one month term SOFR plus 1.0%, and (4) the prime commercial lending rate of Wells Fargo, plus (ii) between 1.25% and 1.75% depending on average monthly undrawn availability and (B) with respect to SOFR loans, the sum of the applicable SOFR rate plus between 2.36% and 2.86% depending on average quarterly undrawn availability. Interest charges with respect to the FILO Tranche are were computed on the actual principal amount of FILO Tranche loans outstanding at a rate per annum equal to (A) with respect to Base Rate FILO Tranche loans, the sum of (i) a rate per annum equal to the higher of (1) 1.0%, (2) the federal funds rate plus 0.5%, (3) one month term SOFR plus 1.0%,and (4) the prime commercial lending rate of Wells Fargo, plus (ii) 6.5% and (B) with respect to SOFR FILO Tranche loans, the sum of the applicable SOFR rate plus 7.50%. The Amended Wells Fargo Facility also includes a monthly unused line fee ranging from 0.35% to 0.75% per annum determined based upon the level of average Revolving Loans outstanding during the immediately preceding month measured against the total Revolving Loans that may be borrowed under the Amended Wells Fargo Facility.

In connection with the closing of the Amended Wells Fargo Facility, the Company also entered into a First Amendment to Guaranty and Security Agreement, dated as of March 2, 2022 (the “Amended Revolver Guaranty and Security Agreement”), pursuant to which the Company and certain subsidiaries are continuing to unconditionally guarantee the payment and performance of all obligations owing by Borrowers to Wells Fargo, as Agent for the benefit of the revolving lenders. Pursuant to the Amended Revolver Guaranty and Security Agreement, Borrowers, the Company and certain other subsidiaries are continuing to grant to the Agent, for the benefit of the Wells Fargo Facility lenders, a security interest in substantially all of their respective assets, including receivables, equipment, general intangibles (including intellectual property), inventory, subsidiary stock, real property, and certain other assets.

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The Amended Wells Fargo Facility contains a financial covenant requiring the Company to maintain at all times minimum liquidity (defined as availability under the Amended Wells Fargo Facility plus unrestricted cash) of at least $5 million, of which at least $3 million must be derived from availability. The Amended Wells Fargo Facility also contains a springing covenant, which takes effect only upon a failure to maintain undrawn availability of at least $11.25 million or upon an election by the Borrowers to increase the inventory component of the borrowing base, requiring the Company to maintain a Fixed Charge Coverage Ratio (FCCR) of not less than 1.00 to 1.00, as of the end of each trailing period of twelve consecutive months commencing with the month prior to the triggering of the covenant. The FCCR (as defined in the Wells Fargo Facility) is the ratio of (a) EBITDA for such period, minus unfinanced capital expenditures made during such period, to (b) the aggregate amount of (i) interest expense required to be paid (other than interest paid-in-kind, amortization of financing fees, and other non-cash interest expense) during such period, (ii) scheduled principal payments (but excluding principal payments relating to outstanding Revolving Loans under the Amended Wells Fargo Facility), (iii) all net federal, state, and local income taxes required to be paid during such period (provided, that any tax refunds received shall be applied to the period in which the cash outlay for such taxes was made), (iv) all restricted payments paid (as defined in the Amended Wells Fargo Facility) during such period, and (v) to the extent not otherwise deducted from EBITDA for such period, all payments required to be made during such period in respect of any funding deficiency or funding shortfall with respect to any pension plan. The FCCR covenant ceases after the Borrowers have been in compliance therewith for two consecutive months.

The Amended Wells Fargo Facility also contains customary non-financial covenants relating to the Company and the Borrowers, including limitations on Borrowers’ ability to pay dividends on common stock or preferred stock, and also includes certain events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other obligations, events of bankruptcy and insolvency, certain ERISA events, judgments in excess of specified amounts, impairments to guarantees and a change of control.

The Company evaluated the Amended Wells Fargo Facility in accordance with the provisions of ASC 470 to determine if the amendment was a modification or an extinguishment of debt and concluded that the amendment was a modification of the original revolving credit facility for accounting purposes. As a result, the Company capitalized an additional $0.9 million of deferred financing costs in connection with the amendment, which, along with the $0.2 million of remaining deferred financing costs of the original revolving facility, is being amortized over the five year term of the Amended Wells Fargo Facility.

The commitments under the Amended Wells Fargo Facility will expire and the full outstanding principal amount of the loans, together with accrued and unpaid interest, are due and payable in full on March 2, 2027, unless the commitments are terminated and the outstanding principal amount of the loans are accelerated sooner following an event of default or in the event of certain other cross-defaults.

Termination of 2022 Term Loan Facility

On March 2, 2022, Hudson Technologies Company ("HTC"), an indirect subsidiary of Hudson Technologies, Inc. (the "Company"), and the Company's subsidiary Hudson Holdings, Inc., as borrowers (collectively, the "Borrowers"), and the Company, as guarantor, became obligated under a Credit Agreement (the "Term Loan Facility") with TCW Asset Management Company LLC, as administrative agent ("Term Loan Agent") and the lender parties thereto (the "Term Loan Lenders").

Under the terms of the Term Loan Facility, the Borrowers immediately borrowed $85 million pursuant to a term loan (the "Term Loan"). , which matures in March 2027. Amounts borrowed under the Term Loan Facility were used by the Borrowers to repay the outstanding principal amount and related fees and expenses under the Prior Term Loan Facility (as defined below) and for other corporate purposes. The Company paid approximately $4.3 million of term loan deferred financing costs.

The Term Loan matures on March 2, 2027, or earlier upon certain acceleration or cross default events. Principal payments on During the Term Loan are required on a quarterly basis, commencing with the third quarter ended March 31, 2022, in the amount of 5% of the original principal amount of the outstanding Term Loan per annum. The Term Loan Facility also requires annual payments of 50% of Excess Cash Flow (as defined in the Term Loan Facility); provided that commencing with the year ending December 31, 2023 such payments may be reduced depending upon the Company's leverage ratio (as defined in the Term Loan Facility) for the applicable year. The Term Loan Facility also requires mandatory prepayments of the Term Loan in the event of certain asset dispositions, debt issuances, and other events. The Term Loan may be prepaid at the option of the Borrowers subject to a prepayment premium of 3% in year one, 2% in year two,1% in year three, and zero in year four and thereafter.

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Interest on the Term Loan is generally payable monthly, in arrears. Interest charges with respect to the Term Loan are computed on the actual principal amount of the Term Loan outstanding at a rate per annum equal to (A) with respect to Base Rate loans, the sum of (i) a rate per annum equal to the higher of (1) 2.0%, (2) the federal funds rate plus 0.5%, (3) one month term SOFR plus 1.0%, and (4) the prime commercial lending rate quoted by The Wall Street Journal, plus (ii) between 6.0% and 7.0% depending on the applicable leverage ratio and (B) with respect to SOFR loans, the sum of the applicable SOFR rate plus between 7.0% and 8.0% depending on the applicable leverage ratio.

Borrowers and 2023, the Company granted to repaid in full the Term Loan Agent, for the benefit of the Term Loan Lenders, a security interest in substantially all of their respective assets, including receivables, equipment, general intangibles (including intellectual property), inventory, subsidiary stock, real property, and certain other assets.

The Term Loan Facility contains a fixed charge coverage ratio covenant and a leverage ratio covenant, each tested quarterly. The fixed charge coverage ratio ("FCCR") covenant requires compliance with specified levels of (i) EBITDA minus unfunded capital expenditures to (ii) interest expense, scheduled remaining principal payments, and other specified payments, in each case as specified in balance outstanding under the Term Loan Facility for a trailing four quarter period. For the period ended June 30, 2023, the FCCR was 3.13 to 1.0 against a requirement of at least 1.10 to 1.0. The leverage ratio ("LR") covenant is tested as of the last day of each fiscal quarter. The LR is the ratio of (i) funded debt as of such date minus the lesser of $15,000,000 or the Company's unrestricted cash to (b) trailing twelve-month EBITDA, in each case as specified in the Term Loan Facility. As of June 30, 2023, the LR was approximately 0.32 to 1.0, compared to the maximum of 4.00 to 1.0. The Term Loan Facility also contains customary non-financial covenants relating to the Company and the Borrowers, including limitations on Borrowers' ability to pay dividends on common stock or preferred stock, and also includes certain events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other obligations, events of bankruptcy and insolvency, certain ERISA events, judgments in excess of specified amounts, impairments to guarantees and a change of control.

In connection with the closing of the Term Loan Facility, the Company also entered into a Guaranty and Security Agreement, dated as of March 2, 2022 (the "Term Loan Guarantee"), pursuant to which the Company affirmed its unconditional guarantee of the payment and performance of all obligations owing by Borrowers to Term Loan Agent, as agent for the benefit of the Term Loan Lenders.

The Term Loan Agent and the Agent have entered into an intercreditor agreement governing the relative priority of their security interests granted by the Borrowers and the Guarantor in the collateral, providing that the Agent shall have a first priority security interest in the accounts receivable, inventory, deposit accounts and certain other assets (the "Revolving Credit Priority Collateral") and the Term Loan Agent shall have a first priority security interest in the equipment, real property, capital stock of subsidiaries and certain other assets (the "Term Loan Priority Collateral"). FILO Tranche.

Termination of Prior Term Loan Facility

In conjunction with entry into the new Term Loan Facility as described above, on March 2, 2022 the Company's then-existing term loans, as amended (the "Prior Term Loan Facility"), which had a principal balance of approximately $63.9 million after payment of a $16.0 million excess cash flow amount thereunder, were repaid in full, together with associated required lender fees and expenses of $3.3 million, and the Prior Term Loan Facility was terminated. The termination of the Prior Term Loan Facility constituted an extinguishment of debt, which resulted in the Company recording an additional $4.6 million of interest expense during the first quarter of 2022, which included the aforementioned $3.3 million of prior lender fees and expenses and $1.3 million of pre-existing deferred financing costs from the Prior Term Loan Facility.

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During the third quarter of 2023, the Company repaid in full the remaining $32.5 million principal balance outstanding under its Term Loan Facility and the FILO Tranche. In conjunction with this payoff, the Company recorded $3.4 million of interest which included a non-cash write off of $3.1 million deferred financing costs and $0.3 million of other expense and fees.

The Company was in compliance with all covenants under the Amended Wells Fargo Facility and the Term Loan Facility, as of June 30, 2023 September 30, 2023.

The Company's ability to comply with these covenants in future quarters may be affected by events beyond the Company's control, including general economic conditions, weather conditions, regulations and refrigerant pricing. Therefore, the Company cannot make any assurance that it will continue to be in compliance during future periods.

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The Company believes that it will be able to satisfy its working capital requirements for the foreseeable future from anticipated cash flows from operations and available funds under the Amended Wells Fargo Facility. Any unanticipated expenses, including, but not limited to, an increase in the cost of refrigerants purchased by the Company, an increase in operating expenses or failure to achieve expected revenues from the Company's RefrigerantSide(R) Services and/or refrigerant sales or additional expansion or acquisition costs that may arise in the future would adversely affect the Company's future capital needs. There can be no assurance that the Company's proposed or future plans will be successful, and as such, the Company may require additional capital sooner than anticipated, which capital may not be available on acceptable terms, or at all.
Scheduled maturities of the Company's long-term debt and capital lease obligations are as follows:

Years ended June 30,	**Amount**
(in thousands)	
-2024	$ 4,250
-2025	4,250
-2026	4,250

-2027	19,738
Total	$ 32,488

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

Certain statements, contained in this section and elsewhere in this Form 10-Q, 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 laws and regulations affecting the industry, changes in the demand and price for refrigerants (including unfavorable market conditions adversely affecting the demand for, and the price of refrigerants), the Company's ability to source refrigerants, regulatory and economic factors, seasonality, competition, litigation, the nature of supplier or customer arrangements that 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, the ability to obtain financing, the ability to meet financial covenants under our financing facilities, any delays or interruptions in bringing products and services to market, the timely availability of any requisite permits and authorizations from governmental entities and third parties as well as factors relating to doing business outside the United States, including changes in the laws, regulations, policies, and political, financial and economic conditions, including inflation, interest and currency exchange rates, of countries in which the Company may seek to conduct business, the Company's ability to successfully integrate any assets it acquires from third parties into its operations, and other risks detailed in the Company's Form 10-K for the year ended December 31, 2022, and in the Company's other subsequent filings with the Securities and Exchange Commission ("SEC"). The words "believe", "expect", "anticipate", "may", "plan", "should" 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.

Critical Accounting Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Several of the Company's accounting policies involve significant judgments, uncertainties and estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. To the extent that actual results differ from management's judgments and estimates, there could be a material adverse effect on the Company. On a continuous basis, the Company evaluates its estimates, including, but not limited to, those estimates related to its inventory reserves, and for the deferred tax assets and goodwill and intangible assets.

Inventory

For inventory, the Company evaluates both current and anticipated sales prices of its products to determine if a write down of inventory to net realizable value is necessary. Net realizable value represents the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion and disposal. The determination if a write-down to net realizable value is necessary is primarily affected by the market prices for the refrigerant gases we sell. Commodity prices generally are affected by a wide range of factors beyond our control, including weather, seasonality, the availability and adequacy of supply, government regulation and policies and general political and economic conditions. At any time, our inventory levels may be substantial and fluctuate, which will materially impact our estimates of net realizable value.

Goodwill

The Company has made acquisitions that included a significant amount of goodwill and other intangible assets. The Company applies the purchase method of accounting for acquisitions, which among other things, requires the recognition of goodwill (which represents the excess of the purchase price of the acquisition over the fair value of the net assets acquired and identified intangible assets). We test our goodwill for impairment on an annual basis (on the first day of the fourth quarter) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an asset below its carrying value. Other intangible assets that meet certain criteria are amortized over their estimated useful lives.

An impairment charge is recorded based on the excess of a reporting unit's carrying amount over its fair value. An impairment charge would be recognized when the carrying amount exceeds the estimated fair value of a reporting unit. These impairment evaluations use many assumptions and estimates in determining an impairment loss, including certain assumptions and estimates related to future earnings. If the Company does not achieve its earnings objectives, the assumptions and estimates underlying these

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impairment evaluations could be adversely affected, which could result in an asset impairment charge that would negatively impact operating results. During the fourth quarter of 2022, we completed our annual impairment test as of October 1 and determined in our qualitative assessment that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, resulting in no goodwill impairment. There can be no assurances that future sustained declines in macroeconomic or business conditions affecting our industry will not occur, which could result in goodwill impairment charges in future periods.

There were no goodwill impairment losses recognized in 2022 or the six nine months ended June 30, 2023 September 30, 2023.

Other Intangibles

Intangibles with determinable lives are amortized over the estimated useful lives of the assets currently ranging from 6 to 13 years. The Company reviews these useful lives annually to determine that they reflect future realizable value. As described above, due to increased profitability, we believe that these other intangibles are fairly stated.

Income Taxes

The Company is taxed at statutory corporate income tax rates after adjusting income reported for financial statement purposes for certain items. Current income tax expense (benefit) reflects the tax results of revenues and expenses currently taxable or deductible. The Company utilizes the asset and liability method of accounting for deferred income taxes, which provides for the recognition of deferred tax assets or liabilities, based on enacted tax rates and laws, for the differences between the financial and income tax reporting bases of assets and liabilities. The tax benefit associated with the Company's net operating loss carry forwards ("NOLs") is recognized to the extent that the Company expects to realize future taxable income.

As of June 30, 2023 September 30, 2023, the Company had no federal NOLs, as the Company utilized all of its remaining federal NOLs during the year ended December 31, 2022. As of June 30, 2023 September 30, 2023, the Company had state tax NOLs of approximately $1.8 million, expiring in various years. We review the likelihood that we will realize the benefit of our deferred tax assets on a quarterly basis.

The Company's provision for income tax for the six nine months ended June 30, 2023 September 30, 2023, was $11.8 million $17.0 million. The effective tax rate for the six nine months ended June 30, 2023 September 30, 2023, was 25.4% 26.1%.

The Company evaluates uncertain tax positions, if any, by determining if it is more likely than not to be sustained upon examination by the taxing authorities. As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company believes it had no uncertain tax positions.

Overview

The Company is a leading provider of sustainable refrigerant products and services to the Heating Ventilation Air Conditioning and Refrigeration ("HVACR") industry. For nearly three decades, we have demonstrated our commitment to our customers and the environment by becoming one of the United States' largest refrigerant reclaimers through multimillion dollar investments in the plants and advanced separation technology required to recover a wide variety of refrigerants and restoring them to Air-Conditioning, Heating, and Refrigeration Institute ("AHRI") standard for reuse as certified EMERALD Refrigerants™.

The Company's products and services are primarily used in commercial air conditioning, industrial processing and refrigeration systems, and include refrigerant and industrial gas sales, refrigerant management services consisting primarily of reclamation of refrigerants and RefrigerantSide® Services performed at a customer's site, which include system decontamination to remove moisture, oils and other contaminants.

Sales of refrigerants continue to represent a significant majority of the Company's revenues.

The Company also sells industrial gases to a variety of industry customers, predominantly to users in, or involved with, the US Military. In July 2016, the Company was awarded, as prime contractor, a five-year fixed price contract, including a five-year renewal option which has been exercised, awarded to it by the United States Defense Logistics Agency ("DLA") for the management and supply of refrigerants, compressed gases, cylinders and related items to US Military commands and installations, Federal civilian agencies and foreign militaries. Primary users include the US Army, Navy, Air Force, Marine Corps and Coast Guard. Our contract with DLA expires in July 2026.

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Results of Operations

Three-month period ended June 30, 2023 as September 30, 2023 compared to the three-month period ended June 30, 2022 September 30, 2022

Revenues for the three-month period ended June 30, 2023 September 30, 2023 were $90.5 million $76.5 million, a decrease of $13.4 million $13.0 million or 12.9% 14.5% from the $103.9 million $89.5 million reported during the comparable 2022 period. The decrease was is primarily attributable related to lower decreased selling prices of for certain refrigerants, sold. partially offset by increased refrigerant sales volume and revenues from the Company's Defense Logistics Agency ("DLA") program during the period, compared to the third quarter of 2022

Cost of sales for the three-month period ended June 30, 2023 September 30, 2023 was $53.8 million $45.9 million or 59% 60% of sales. The cost of sales for the three-month period ended June 30, 2022 September 30, 2022 was $46.4 million $45.3 million or 45% 51% of sales. The increase in the cost of sales percentage from 45% 51% to 59% 60% is primarily due to higher cost of sales during the second quarter of 2023 as the purchase price of certain refrigerants increased during 2022, and lower selling prices. prices and higher inventory cost.

Selling, general and administrative ("SG&A") expenses for the three-month period ended June 30, 2023 September 30, 2023 were $8.3 million $6.8 million, an increase a decrease of $1.3 million $0.4 million from the $7.0 million $7.2 million reported during the comparable 2022 period. The increase decrease in SG&A was primarily due to increased headcount decreased bad debt expense and stock compensation. professional fees.

Amortization expense for both of the three-month periods ended June 30, 2023 September 30, 2023 and 2022 was $0.7 million.

Interest Other expense for the three-month period ended June 30, 2023 September 30, 2023 was $1.9 million $4.4 million, compared to the $2.6 million $2.4 million reported during the comparable 2022 period. Interest During the third quarter of 2023, the Company repaid in full the remaining $32.5 million principal balance outstanding under its Term Loan Facility. In conjunction with this payoff, the Company recorded a non-cash write off of $3.1 million of deferred financing costs. Excluding this write off, interest expense was lower from reduced principal outstanding during the second quarter of 2023 due to reduced debt resulting from the Company paying down approximately $68 million of debt between April 2022 and June 2023.

lower due to reduced debt resulting from the Company paying down principal period on its our term loan debt.

The income tax expense for the three-month period ended June 30, 2023 September 30, 2023 was $6.6 million $5.2 million compared to income tax expense of $7.4 million $4.6 million for the three month period ended June 30, 2022 September 30, 2022. The key drivers of increased income tax expense are the reversal of valuation allowance during 2022 on federal NOLs that were fully utilized and can no longer reduce taxable income. Income tax expense for federal and state income tax purposes was determined by applying statutory income tax rates to pre-tax income after adjusting for certain items.

The net income for the three-month period ended June 30, 2023 September 30, 2023 was $19.2 million $13.6 million, a decrease of $20.6 million $15.8 million from the $39.8 million $29.4 million of net income reported during the comparable 2022 period, primarily due to lower revenues, and higher selling costs, a higher tax rate and the effect of the non-cash write-off of deferred financing costs, as described above.

Six Nine month period ended June 30, 2023 as September 30, 2023 compared to the six nine month period ended June 30, 2022 September 30, 2022

Revenues for the six nine month period ended June 30, 2023 September 30, 2023 were $167.7 million $244.2 million, a decrease of $20.6 million $33.6 million or 11% 12% from the $188.3 million $277.8 million reported during the comparable 2022 period. The decrease was attributable to both lower selling prices and volume of certain refrigerants sold. sold, partially offset by increase in revenues from our DLA and carbon credit programs.

Cost of sales for the six-month nine-month period ended June 30, 2023 September 30, 2023 was $100.7 million $146.6 million or 60% of sales. The cost of sales for the six-month nine-month period ended June 30, 2022 September 30, 2022 was $85.0 million $130.2 million or 45% 47% of sales. The increase in the cost of sales percentage from 45% 47% to 60% is primarily due to higher cost of sales during the first half nine months of 2023 as the purchase price of certain refrigerants increased during 2022, 2023, and also the decrease in selling prices.

Selling, general and administrative ("SG&A") expenses for the six-month nine-month period ended June 30, 2023 September 30, 2023 were $15.3 million $22.0 million, an increase of $1.5 million $0.9 million from the $13.8 million $21.1 million reported during the comparable 2022 period. The increase in SG&A was primarily due to increased headcount and stock compensation.

Amortization expense for both six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022 was $1.4 million $2.1 million.

Interest Other expense for the six-month nine-month period ended June 30, 2023 September 30, 2023 was $3.7 million $8.1 million, compared to the $9.9 million $12.3 million reported during the comparable 2022 period. Interest expense was higher during During the first half third quarter of 2022 due to 2023, the Company repaid in full the remaining $32.5 million principal balance outstanding under its Term Loan Facility. In conjunction with this payoff, the Company recorded a non-cash write off of $3.1 million of deferred financing costs. During the nine month period ended September 30, 2022, the Company recorded a loss on extinguishment of term loan debt as described in "Liquidity and Capital Resources" below. In addition, of $4.7 million. Excluding these write-offs, interest expense was lower from reduced principal outstanding during the first half period on our term loan debt.

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The income tax expense for the six-month nine-month period ended June 30, 2023 September 30, 2023 was $11.8 million $17.0 million compared to income tax expense of $8.8 million $13.4 million for the six-month nine-month period ended June 30, 2022 September 30, 2022. The key drivers of increased income tax expense are the reversal of valuation

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allowance during 2022 on federal NOLs that were fully utilized and can no longer reduce taxable income. Income tax expense for federal and state income tax purposes was determined by applying statutory income tax rates to pre-tax income after adjusting for certain items.

Net income for the six-month nine-month period ended June 30, 2023 September 30, 2023 was $34.7 million $48.3 million, a decrease of $34.7 million $50.4 million from the $69.4 million $98.7 million of net income reported during the comparable 2022 period, primarily due to lower revenues, and higher selling costs, a higher tax rate and the effect of the non-cash write-off of deferred financing costs, as described above.

Liquidity and Capital Resources

At June 30, 2023 September 30, 2023, the Company had working capital, which represents current assets less current liabilities, of $151.7 million $141.0 million, an increase of $27.5 million $16.8 million from the working capital of $124.2 million at December 31, 2022. The increase in working capital is primarily attributable to continued profitability and the timing of borrowings, accounts receivable and inventory.

Inventories and trade receivables are principal components of current assets. At June 30, 2023 September 30, 2023, the Company had inventories of $134.4 million $139.2 million, a decrease of $11.0 million $6.2 million from $145.4 million at December 31, 2022. 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 and the Company's ability to source CFC and HCFC based refrigerants (which are no longer being produced) and HFC refrigerants (virgin production currently in the process of being phased down) and HFO refrigerants.

At June 30, 2023 September 30, 2023, the Company had trade receivables, net of allowance for doubtful accounts, of $49.1 million $44.9 million, an increase of $28.2 million $24.0 million from $20.9 million at December 31, 2022, mainly due to increased sales. timing. The Company typically generates its most significant revenue during the second and third quarters of any given year. The Company's trade receivables are concentrated with various wholesalers, brokers, contractors and end-users within the refrigeration industry that are primarily located in the continental United States. The Company has historically financed its working capital requirements through cash flows from operations, the issuance of debt and equity securities, and bank borrowings.

Net cash provided by operating activities for the six-month nine-month period ended June 30, 2023 September 30, 2023 was $21.2 million $43.5 million, when compared to net cash provided by operating activities of $33.9 million $60.0 million for the comparable 2022 period. As discussed above, selling prices of certain refrigerants declined in 2023. Another contributory factor was the timing of accounts receivable and inventory balances.

Net cash used in investing activities for the six-month nine-month period ended June 30, 2023 September 30, 2023 was $0.8 million $2.2 million compared with net cash used in investing activities of $0.8 million $1.7 million for the comparable 2022 period. period, mainly due to timing of capital expenditures related to our plants.

Net cash used in financing activities for the six-month nine-month period ended June 30, 2023 September 30, 2023 was $14.3 million $42.5 million compared with net cash used in financing activities of $15.9 million $46.7 million for the comparable 2022 period. The Company refinanced its term loan debt during the first quarter of 2022, as described below, and also paid down a significant portion of off its remaining $32.5 million term loan debt during 2022 and the third quarter of 2023.

At June 30, 2023 September 30, 2023, cash and cash equivalents were $11.4 million $3.8 million, or approximately $6.1 million higher $1.5 million lower than the $5.3 million of cash and cash equivalents at December 31, 2022.

Revolving Credit Facility

On March 2, 2022, Hudson Technologies Company ("HTC") and Hudson Holdings, Inc. ("Holdings"), as borrowers (collectively, the "Borrowers"), and Hudson Technologies, Inc. (the "Company") as a guarantor, entered into an Amended and Restated Credit Agreement (the "Amended Wells Fargo Facility") with Wells Fargo Bank, National Association, as administrative agent and lender ("Agent" or "Wells Fargo") and such other lenders as have or may thereafter become a party to the Amended Wells Fargo Facility. The Amended Wells Fargo facility amended and restated the prior Wells Fargo Facility entered into on December 19, 2019.

Under the terms of the Amended Wells Fargo Facility, the Borrowers may borrow up to $90 million consisting of: (i) $15 million immediately borrowed in the form of a "first in last out" term loan (the "FILO Tranche") and (ii) from time to time, up to $75 million at any time consisting of revolving loans (the "Revolving Loans") in a maximum amount up to the lesser of $75 million and a borrowing base that is calculated based on the outstanding amount of the Borrowers' eligible receivables and eligible inventory, as described in the Amended Wells Fargo Facility. The Amended Wells Fargo Facility also contains a sublimit of $9 million for

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swing line loans and $2 million for letters of credit. The Company currently has a $0.9 million letter of credit outstanding. The FILO Tranche was repaid in full in July 2023 and may not be reborrowed.

Amounts borrowed under the Amended Wells Fargo Facility may be used for working capital needs, certain permitted acquisitions, and to reimburse drawings under letters of credit.

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Interest under the Amended Wells Fargo Facility is payable in arrears on the first day of each month. Interest charges with respect to Revolving Loans are computed on the actual principal amount of Revolving Loans outstanding at a rate per annum equal to (A) with respect to Base Rate loans, the sum of (i) a rate per annum equal to the higher of (1) 1.0%, (2) the federal funds rate plus 0.5%, (3) one month term SOFR plus 1.0%, and (4) the prime commercial lending rate of Wells Fargo, plus (ii) between 1.25% and 1.75% depending on average monthly undrawn availability and (B) with respect to SOFR loans, the sum of the applicable SOFR rate plus between 2.36% and 2.86% depending on average quarterly undrawn availability. Interest charges with respect to the FILO Tranche are were computed on the actual principal amount of FILO Tranche loans outstanding at a rate per annum equal to (A) with respect to Base Rate FILO Tranche loans, the sum of (i) a rate per annum equal to the higher of (1) 1.0%, (2) the federal funds rate plus 0.5%, (3) one month term SOFR plus 1.0%, and (4) the prime commercial lending rate of Wells Fargo, plus (ii) 6.5% and (B) with respect to SOFR FILO Tranche loans, the sum of the applicable SOFR rate plus 7.50%. The Amended Wells Fargo Facility also includes a monthly unused line fee ranging from 0.35% to 0.75% per annum determined based upon the level of average Revolving Loans outstanding during the immediately preceding month measured against the total Revolving Loans that may be borrowed under the Amended Wells Fargo Facility.

In connection with the closing of the Amended Wells Fargo Facility, the Company also entered into a First Amendment to Guaranty and Security Agreement, dated as of March 2, 2022 (the “Amended Revolver Guaranty and Security Agreement”), pursuant to which the Company and certain subsidiaries are continuing to unconditionally guarantee the payment and performance of all obligations owing by Borrowers to Wells Fargo, as Agent for the benefit of the revolving lenders. Pursuant to the Amended Revolver Guaranty and Security Agreement, Borrowers, the Company and certain other subsidiaries are continuing to grant to the Agent, for the benefit of the Wells Fargo Facility lenders, a security interest in substantially all of their respective assets, including receivables, equipment, general intangibles (including intellectual property), inventory, subsidiary stock, real property, and certain other assets.

The Amended Wells Fargo Facility contains a financial covenant requiring the Company to maintain at all times minimum liquidity (defined as availability under the Amended Wells Fargo Facility plus unrestricted cash) of at least $5 million, of which at least $3 million must be derived from availability. The Amended Wells Fargo Facility also contains a springing covenant, which takes effect only upon a failure to maintain undrawn availability of at least $11.25 million or upon an election by the Borrowers to increase the inventory component of the borrowing base, requiring the Company to maintain a Fixed Charge Coverage Ratio (FCCR) of not less than 1.00 to 1.00, as of the end of each trailing period of twelve consecutive months commencing with the month prior to the triggering of the covenant. The FCCR (as defined in the Wells Fargo Facility) is the ratio of (a) EBITDA for such period, minus unfinanced capital expenditures made during such period, to (b) the aggregate amount of (i) interest expense required to be paid (other than interest paid-in-kind, amortization of financing fees, and other non-cash interest expense) during such period, (ii) scheduled principal payments (but excluding principal payments relating to outstanding Revolving Loans under the Amended Wells Fargo Facility), (iii) all net federal, state, and local income taxes required to be paid during such period (provided, that any tax refunds received shall be applied to the period in which the cash outlay for such taxes was made), (iv) all restricted payments paid (as defined in the Amended Wells Fargo Facility) during such period, and (v) to the extent not otherwise deducted from EBITDA for such period, all payments required to be made during such period in respect of any funding deficiency or funding shortfall with respect to any pension plan. The FCCR covenant ceases after the Borrowers have been in compliance therewith for two consecutive months.

The Amended Wells Fargo Facility also contains customary non-financial covenants relating to the Company and the Borrowers, including limitations on the Borrowers’ ability to pay dividends on common stock or preferred stock, and also includes certain events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other obligations, events of bankruptcy and insolvency, certain ERISA events, judgments in excess of specified amounts, impairments to guarantees and a change of control.

The Company evaluated the Amended Wells Fargo Facility in accordance with the provisions of ASC 470-50 to determine if the amendment was a modification or an extinguishment of debt and concluded that the amendment was a modification of the original revolving credit facility for accounting purposes. As a result, the Company capitalized an additional $0.9 million of deferred financing costs in connection with the amendment, which, along with the $0.2 million of remaining deferred financing costs of the original revolving facility, is being amortized over the five year term of the Amended Wells Fargo Facility.

The commitments under the Amended Wells Fargo Facility will expire and the full outstanding principal amount of the loans, together with accrued and unpaid interest, are due and payable in full on March 2, 2027, unless the commitments are terminated and

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the outstanding principal amount of the loans are accelerated sooner following an event of default or in the event of certain other cross-defaults.

2022 Term Loan Facility

On March 2, 2022, Hudson Technologies Company ("HTC"), an indirect subsidiary of Hudson Technologies, Inc. (the "Company"), and the Company's subsidiary Hudson Holdings, Inc., as borrowers (collectively, the "Borrowers"), and the Company, as guarantor, became obligated under a Credit Agreement (the "Term Loan Facility") with TCW Asset Management Company LLC, as administrative agent ("Term Loan Agent") and the lender parties thereto (the "Term Loan Lenders").

Under the terms of the Term Loan Facility, the Borrowers immediately borrowed $85 million pursuant to a term loan (the "Term Loan")., which matures in March 2027. Amounts borrowed under the Term Loan Facility were used by the Borrowers to repay the outstanding principal amount and related fees and expenses under the Prior Term Loan Facility (as defined below) and for other corporate purposes. The Company paid approximately $4.3 million of term loan deferred financing costs.

The Term Loan matures on March 2, 2027, or earlier upon certain acceleration or cross default events. Principal payments on During the Term Loan are required on a quarterly basis, commencing with the third quarter ended March 31, 2022, in the amount of 5% of the original principal amount of the outstanding Term Loan per annum. The Term Loan Facility also requires annual payments of 50% of Excess Cash Flow (as defined in the Term Loan Facility); provided that commencing with the year ending December 31, 2023 such payments may be reduced depending upon the Company's leverage ratio (as defined in the Term Loan Facility) for the applicable year. The Term Loan Facility also requires mandatory prepayments of the Term Loan in the event of certain asset dispositions, debt issuances, and other events. The Term Loan may be prepaid at the option of the Borrowers subject to a prepayment premium of 3% in year one, 2% in year two, 1% in year three, and zero in year four and thereafter.

Interest on the Term Loan is generally payable monthly, in arrears. Interest charges with respect to the Term Loan are computed on the actual principal amount of the Term Loan outstanding at a rate per annum equal to (A) with respect to Base Rate loans, the sum of (i) a rate per annum equal to the higher of (1) 2.0%, (2) the federal funds rate plus 0.5%, (3) one month term SOFR plus 1.0%, and (4) the prime commercial lending rate quoted by The Wall Street Journal, plus (ii) between 6.0% and 7.0% depending on the applicable leverage ratio and (B) with respect to SOFR loans, the sum of the applicable SOFR rate plus between 7.0% and 8.0% depending on the applicable leverage ratio.

Borrowers and 2023, the Company granted to repaid in full the Term Loan Agent, for the benefit of the Term Loan Lenders, a security interest in substantially all of their respective assets, including receivables, equipment, general intangibles (including intellectual property), inventory, subsidiary stock, real property, and certain other assets.

The Term Loan Facility contains a fixed charge coverage ratio covenant and a leverage ratio covenant, each tested quarterly. The fixed charge coverage ratio ("FCCR") covenant requires compliance with specified levels of (i) EBITDA minus unfunded capital expenditures to (ii) interest expense, scheduled remaining principal payments, and other specified payments, in each case as specified in balance outstanding under the Term Loan Facility for a trailing four quarter period. For the period ended June 30, 2023, the FCCR was 3.13 to 1.0 against a requirement of at least 1.10 to 1.0. The leverage ratio ("LR") covenant is tested as of the last day of each fiscal quarter. The LR is the ratio of (i) funded debt as of such date minus the lesser of $15,000,000 or the Company's unrestricted cash to (b) trailing twelve-month EBITDA, in each case as specified in the Term Loan Facility. As of June 30, 2023, the LR was approximately 0.32 to 1.0, compared to the maximum of 4.00 to 1.0. The Term Loan Facility also contains customary non-financial covenants relating to the Company and the Borrowers, including limitations on Borrowers' ability to pay dividends on common stock or preferred stock, and also includes certain events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other obligations, events of bankruptcy and insolvency, certain ERISA events, judgments in excess of specified amounts, impairments to guarantees and a change of control. FILO Tranche.

In connection with the closing of the Term Loan Facility, the Company also entered into a Guaranty and Security Agreement, dated as of March 2, 2022 (the "Term Loan Guarantee"), pursuant to which the Company affirmed its unconditional guarantee of the payment and performance of all obligations owing by Borrowers to Term Loan Agent, as agent for the benefit of the Term Loan Lenders.

The Term Loan Agent and the Agent have entered into an intercreditor agreement governing the relative priority of their security interests granted by the Borrowers and the Guarantor in the collateral, providing that the Agent shall have a first priority security interest in the accounts receivable, inventory, deposit accounts and certain other assets (the "Revolving Credit Priority Collateral") and the Term Loan Agent shall have a first priority security interest in the equipment, real property, capital stock of subsidiaries and certain other assets (the "Term Loan Priority Collateral").

Termination of Prior Term Loan Facility

In conjunction with entry into the new Term Loan Facility as described above, on March 2, 2022 the Company's then-existing term loans, as amended (the "Prior Term Loan Facility"), which had a principal balance of approximately $63.9 million after payment of a $16.0 million excess cash flow amount thereunder, were repaid in full, together with associated required lender fees and expenses of $3.3 million, and the Prior Term Loan Facility was terminated. The termination of the Prior Term Loan Facility constituted an extinguishment of debt, which resulted in the Company recording an additional $4.6 million of interest expense during the first quarter of 2022, which included the aforementioned $3.3 million of prior lender fees and expenses and $1.3 million of pre-existing deferred financing costs from the Prior Term Loan Facility.

The Company was in compliance with all covenants under the Amended Wells Fargo Facility and the Term Loan Facility, as of June 30, 2023 September 30, 2023.

The Company's ability to comply with these covenants in future quarters may be affected by events beyond the Company's control, including general economic conditions, weather conditions, regulations and refrigerant pricing. Therefore, we cannot make any assurance that we will continue to be in compliance during future periods.

The Company believes that it will be able to satisfy its working capital requirements for the foreseeable future from anticipated cash flows from operations and available funds under the Amended Wells Fargo Facility. Any unanticipated expenses, including, but not limited to, an increase in the cost of refrigerants purchased by the Company, an increase in operating expenses or failure to achieve expected revenues from the Company's RefrigerantSide® Services and/or refrigerant sales or additional expansion or acquisition costs that may arise in the future would adversely affect the Company's future capital needs. There can be no assurance that the Company's proposed or future plans will be successful, and as such, the Company may require additional capital sooner than anticipated, which capital may not be available on acceptable terms, or at all.

Inflation

Inflation, historically or the recent rise, has not had a material impact on the Company's operations.

Reliance on Suppliers and Customers

The Company participates in an industry that is highly regulated, and changes in the regulations affecting our business could affect our operating results. Currently the Company purchases virgin HCFC and HFC refrigerants and reclaimable, primarily HCFC and CFC, refrigerants from suppliers and its customers. Under the Clean Air Act the phase-down of future production of certain virgin HCFC refrigerants commenced in 2010 and has been fully phased out by the year 2020, and production of all virgin HCFC refrigerants is scheduled to be phased out by the year 2030. To the extent that the Company is unable to source sufficient quantities of refrigerants or is unable to obtain refrigerants on commercially reasonable terms or experiences a decline in demand and/or price for refrigerants sold by it, the Company could realize reductions in revenue from refrigerant sales, which could have a material adverse effect on the Company's operating results and financial position.

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For the six nine month period ended June 30, 2023 September 30, 2023 there was one customer accounting for greater than 10% of the Company's revenues and at June 30, 2023 September 30, 2023 there were $14.6 million $19.7 million of accounts receivable from this customer. For the six-month nine-month period ended June 30, 2022 September 30, 2022 there was no customer accounting for 10% of the Company's revenues.

The loss of a principal customer or a decline in the economic prospects of and/or a reduction in purchases of the Company's products or services by any such customer could have a material adverse effect on the Company's operating results and financial position.

Seasonality and Weather Conditions 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 refrigeration equipment, the rate of expansion of the Company's operations, and by other factors. The Company's business is seasonal in nature with peak sales of refrigerants occurring in the first nine months of each year. During past years, the seasonal decrease in sales of refrigerants has resulted in losses particularly in the fourth quarter of the year. In addition, to the extent that there is unseasonably cool weather throughout the spring and summer months, which would adversely affect the demand for refrigerants, there would be a corresponding negative impact on the Company. Delays or inability 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*

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the Company's financial position and significant losses. The Company believes that to a lesser extent there is a similar seasonal element to RefrigerantSide® Service revenues as refrigerant sales.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope, and in November 2018, issued ASU No. 2018-19 and in April 2019, issued ASU No. 2019-04 and in May 2019, issued ASU No. 2019-05, and in November 2019, issued ASU No. 2019-11, which each amended the standard. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company adopted ASU No. 2016-13 on January 1, 2023. The adoption of ASU No. 2016-13 did not have a material impact on its results of operations or financial position.

In August 2020, the FASB issued ASU 2020-06, "Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which is intended to simplify the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, Debt-Debt with Conversion and Other Options, for convertible instruments. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company adopted ASU 2020-06 on January 1, 2023. The adoption of ASU 2022-06 did not have a material impact on our its results of operations or financial statements. position.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

We are exposed to market risk from fluctuations in interest rates on the Amended Wells Fargo Facility and on the Term Loan Facility. The Amended Wells Fargo Facility is a $90,000,000 $75 million secured facility with a $15,000,000 $5 million outstanding balance as of June 30, 2023. The Term Loan Facility has a balance of $17,488,000 as of June 30, 2023 September 30, 2023. Future interest rate changes on our borrowing under the Term Loan Facility and the Amended Wells Fargo Facility may have an impact on our consolidated results of operations.

If the loan bearing interest rate changed by 1%, the annual effect on interest expense would be approximately $0.3 million $0.1 million as of June 30, 2023 September 30, 2023.

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Refrigerant Market

We are also exposed to market risk from fluctuations in the demand, price and availability of refrigerants. To the extent that the Company is unable to source sufficient quantities of refrigerants or is unable to obtain refrigerants on commercially reasonable terms or experiences a decline in demand and/or price for refrigerants sold *by the Company, the Company could realize reductions in revenue from refrigerant sales or write-downs of inventory, which could have a material adverse effect on our consolidated results of operations.*

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Item 4 - Controls and Procedures

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Because of the inherent limitations in all control systems, any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Furthermore, the Company's controls and procedures can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control and misstatements due to error or fraud may occur and not be detected on a timely basis.

Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) of the Exchange Act, our management, including our principal executive officer and our principal financial officer, conducted an evaluation of the internal control over financial reporting to determine whether any changes occurred during the quarter ended June 30, 2023 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our principal executive officer and principal financial officer concluded there were no such changes.

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PART II – OTHER INFORMATION

Item 1A – Risk Factors

Please refer to the Risk Factors in Part I, Item 1A of the Company's Form 10-K for the year ended December 31, 2022. There have been no material changes to such matters during the quarter ended June 30, 2023 September 30, 2023.

Item 5 – Other Information

No director of officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement and/or a non-rule 10b5-1 trading arrangement (as such terms are defined in Item 408(a) of Regulation S-K) during the quarter ended June 30, 2023 September 30, 2023.

Item 6 - Exhibits

Exhibit Number	*Description*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	*Interactive Data Files Pursuant to Rule 405 of Regulation S-T*
104	*Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

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SIGNATURES

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

HUDSON TECHNOLOGIES, INC.

By:	*/s/ Brian F. Coleman*	*August 8, November 7, 2023*
	Brian F. Coleman *Chairman of the Board, President and Chief Executive Officer*	***Date***
By:	*/s/ Nat Krishnamurti*	*August 8, November 7, 2023*
	Nat Krishnamurti *Chief Financial Officer*	***Date***

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Exhibit 31.1

Hudson Technologies, Inc.
Certification of Principal Executive Officer

I, Brian F. Coleman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023 November 7, 2023

/s/ Brian F. Coleman
Brian F. Coleman
Chief Executive Officer and Chairman of the Board

Exhibit 31.2

Hudson Technologies, Inc.

Certification of Principal Financial Officer

I, Nat Krishnamurti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023 November 7, 2023

/s/ Nat Krishnamurti

Nat Krishnamurti

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hudson Technologies, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian F. Coleman, as Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian F. Coleman
Brian F. Coleman
Chief Executive Officer and Chairman of the Board

August 8, November 7, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hudson Technologies, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nat Krishnamurti, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nat Krishnamurti
Nat Krishnamurti
Chief Financial Officer

August 8, November 7, 2023

DISCLAIMER

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