

HUDSON TECHNOLOGIES INC /NY
Form 10-K
March 16, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017

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 (State or Other Jurisdiction of Incorporation or Organization)	13-3641539 (I.R.S. Employer Identification No.)
P.O. Box 1541 One Blue Hill Plaza Pearl River, New York (Address of Principal Executive Offices)	10965 (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	Name of each exchange on which registered
Common stock, \$.01 par value	The NASDAQ Stock Market LLC (NASDAQ Capital Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act " **Yes** **No**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act " **Yes** **No**

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. **x Yes** " **No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **x Yes** " No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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	x
Non-accelerated filer (do not check if a smaller reporting company)	" 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 Act). " **Yes x No**

The aggregate market value of registrant's common stock held by non-affiliates at June 30, 2017 was approximately \$307,604,835. As of March 1, 2018 there were 42,403,140 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on June 8, 2018, are incorporated by reference in Part III of this Report. Except as expressly incorporated by reference, the Registrant's Proxy Statement shall not be deemed to be part of this Form 10-K.

Hudson Technologies, Inc.**Index**

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Part I

Item 1. Business

General

Hudson Technologies, Inc., 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. 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, consisting of system decontamination to remove moisture, oils and other contaminants. 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 subsidiaries, Hudson Technologies Company and Aspen Refrigerants, Inc., which was formerly known as Airgas-Refrigerants, Inc. prior to the recent acquisition described below. Unless the context requires otherwise, references to the "Company", "Hudson", "we", "us", "our", or similar pronouns refer to Hudson Technologies, Inc. and its subsidiaries.

The Company's executive offices are located at One Blue Hill Plaza, Pearl River, New York and its telephone number is (845) 735-6000. The Company maintains a website at www.hudsontech.com, the contents of which are not incorporated into this filing.

Recent Acquisition

On October 10, 2017, the Company and its wholly-owned subsidiary, Hudson Holdings, Inc. ("Holdings") completed the acquisition (the "Acquisition") from Airgas, Inc. ("Airgas") of all of the outstanding stock of Airgas-Refrigerants, Inc., a Delaware corporation ("ARI"), and effective October 11, 2017, ARI's name was changed to Aspen Refrigerants, Inc. At closing, Holdings paid net cash consideration to Airgas of approximately \$209 million, which includes preliminary post-closing adjustments relating to: (i) changes in the net working capital of ARI as of the closing relative to a net working capital target, (ii) the actual amount of specified types of R-22 refrigerant inventory on hand at closing relative to a target amount thereof, and (iii) other consideration pursuant to the stock purchase agreement.

The cash consideration paid by Holdings at closing was financed with available cash balances, plus \$80 million of borrowings under an enhanced asset-based lending facility of \$150 million from PNC Bank and a new term loan of \$105 million from funds advised by FS Investments and sub-advised by GSO Capital Partners LP.

ARI, which is operated as a wholly owned subsidiary, is a leading refrigerant distributor and distributes, reclaims and packages refrigerant gases for a variety of end uses. Potential benefits of the acquisition of ARI include (i) providing a broader customer network which will provide the Company with increased access to refrigerant for reclamation and strengthen the Company's refrigerant distribution capabilities; (ii) adding incremental reclamation processing capacity to support the growth in reclamation; (iii) providing a broader customer base for the marketing and sale of the Company's services offerings; and (iv) enhancing the Company's geographic footprint in the United States.

Industry Background

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, hydrochlorofluorocarbon ("HCFC") and hydrofluorocarbon ("HFC") refrigerants and reclaimable, primarily HCFC, HFC and chlorofluorocarbon ("CFC") refrigerants from suppliers and its customers. Effective January 1, 1996, the Clean Air Act, as amended (the "Act") prohibited the production of virgin CFC refrigerants and limited the production of virgin HCFC refrigerants. Effective January 2004, the Act further limited the production of virgin HCFC refrigerants and federal regulations were enacted which established production and consumption allowances for HCFC refrigerants and which imposed limitations on the importation of certain virgin HCFC refrigerants. Under the Act, production of certain virgin HCFC refrigerants is scheduled to be phased out during the period 2010 through 2020, and production of all virgin HCFC refrigerants is scheduled to be phased out by 2030. In October 2014, the EPA published a final rule providing further reductions in the production and consumption allowances for virgin HCFC refrigerants for the years 2015 through 2019 (the "Final Rule"). In the Final Rule, the EPA has established a linear annual phase down schedule for the production or importation of virgin HCFC-22 that started at approximately 22 million pounds in 2015 and reduces by approximately 4.5 million pounds each year and ends at zero in 2020.

HFC refrigerants are used as substitutes for CFC and HCFC refrigerants in certain applications. As a result of the increasing restrictions and limitations on the production and use of CFC and HCFC refrigerants, various sectors of the air conditioning and refrigeration industry have been replacing or modifying equipment that utilize CFC and HCFC refrigerants and have been transitioning to equipment that utilize HFC refrigerants and hydrofluoro-olefins ("HFO"). HFC refrigerants are not ozone depleting chemicals and are not currently regulated under the Act. However, certain HFC refrigerants are highly weighted greenhouse gases that are believed to contribute to global warming and climate change and, as a result, are now subject to various state and federal regulations relating to the sale, use and emissions of HFC refrigerants. The Company expects that HFC refrigerants eventually will be replaced by HFOs or other types of products with lower global warming potentials.

In October 2016, more than 200 countries, including the United States, agreed to amend the Montreal Protocol to phase down production of HFCs by 85% between now and 2047. The amendment establishes timetables for all developed and developing countries to freeze and then reduce production and use of HFCs, with the first reductions by developed countries starting in 2019. The amendment becomes effective January 1, 2019 as more than twenty countries have ratified the amendment. To date, the amendment has not been ratified by the United States.

The Act, and the federal regulations enacted under authority of the Act, have mandated and/or promoted responsible use practices in the air conditioning and refrigeration industry, which are intended to minimize the release of refrigerants into the atmosphere and encourage the recovery and re-use of refrigerants. The Act prohibits the venting of CFC, HFC and HCFC refrigerants, and prohibits and/or phases down the production of CFC and HCFC refrigerants.

The Act also mandates the recovery of CFC and HCFC refrigerants and also promotes and encourages re-use and reclamation of CFC and HCFC refrigerants. Under the Act, owners, operators and companies servicing cooling equipment utilizing CFC and HCFC refrigerants are responsible for the integrity of the systems regardless of the refrigerant being used. In November 2016, the EPA issued a final rule extending these requirements to HFCs and to certain other refrigerants that are approved by the EPA as alternatives for CFC and HCFC refrigerants (the “608 Rule”). In January 2017, petitions objecting to, and seeking review of the 608 Rule were filed by certain industry groups. Those petitions are still pending and are currently being held in abeyance until April 30, 2018.

Products and Services

From its inception, the Company has sold refrigerants, and has provided refrigerant reclamation and refrigerant management services that are designed to recover and reuse refrigerants, thereby protecting the environment from release of refrigerants to the atmosphere and the corresponding ozone depletion and global warming impact. The reclamation process allows the refrigerant to be re-used thereby eliminating the need to destroy or manufacture additional refrigerant and eliminating the corresponding impact to the environment associated with the destruction and manufacturing. The Company believes it is the largest refrigerant reclaimer in the United States. Additionally, the Company has created alternative solutions to reactive and preventative maintenance procedures that are performed on commercial and industrial refrigeration systems. These services, known as RefrigerantSide® Services, complement the Company’s refrigerant sales and refrigerant reclamation and management services. The Company has also developed SmartEnergy OPS® that identify inefficiencies in the operation of air conditioning and refrigeration systems and assists companies to improve the energy efficiency of their systems and save operating costs and improve system reliability. In addition, the Company is pursuing potential opportunities for the creation and monetization of verified emission reductions.

Refrigerant and Industrial Gas Sales

The Company sells reclaimed and virgin (new) refrigerants to a variety of customers in the air conditioning and refrigeration industry. The Company continues to sell reclaimed CFC based refrigerants, which are no longer manufactured. Virgin, non-CFC refrigerants, including HCFC and HFC refrigerants, are purchased by the Company from several suppliers and resold by the Company, typically at wholesale. Additionally, the Company regularly purchases used or contaminated refrigerants, some of which are CFC based, from many different sources, which refrigerants are then reclaimed using the Company's high speed proprietary reclamation equipment, its proprietary Zugibeast® system, and then are resold by the Company. With the acquisition of ARI, the Company has access to an expanded customer base and to a broader variety of the industry for the sale of its refrigerant and industrial gas products and for the purchase of contaminated refrigerants for reclamation and resale.

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, 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.

Refrigerant Management Services

The Company provides a complete offering of refrigerant management services, which primarily include reclamation of refrigerants, laboratory testing through the Company's laboratory, which has been certified by the Air Conditioning, Heating and Refrigeration Institute (“AHRI”), and banking (storage) services tailored to individual customer requirements. The Company also separates “crossed” (i.e. commingled) refrigerants and provides re-usable cylinder refurbishment and hydrostatic testing services.

RefrigerantSide® Services

The Company provides decontamination and recovery services that are performed at a customer's site through the use of portable, high volume, high-speed proprietary equipment, including the patented Zugibeast® system. Certain of these RefrigerantSide® Services, which encompass system decontamination, and refrigerant recovery and reclamation, are also proprietary and are covered by process patents.

In addition to the decontamination and recovery services previously described, the Company also provides predictive and diagnostic services for its customers. The Company offers diagnostic services that are intended to predict potential problems in air conditioning and refrigeration systems before they occur. The Company's Chiller Chemistry® offering integrates several fluid tests of an operating system and the corresponding laboratory results into an engineering report providing its customers with an understanding of the current condition of the fluids, the cause

for any abnormal findings and the potential consequences if the abnormal findings are not remediated. Fluid Chemistry®, an abbreviated version of the Company's Chiller Chemistry® offering, is designed to quickly identify systems that require further examination.

The Company has also been awarded several US patents for its SmartEnergy OPS®, which is a system for measuring, modifying and improving the efficiency of energy systems, including air conditioning and refrigeration systems, in industrial and commercial applications. This service is a web-based real time continuous monitoring service applicable to a facility's chiller plant systems. The SmartEnergy OPS® offering enables customers to monitor and improve their chiller plant performance and proactively identify and correct system inefficiencies. SmartEnergy OPS® is able to identify specific inefficiencies in the operation of chiller plant systems and, when used with Hudson's RefrigerantSide® Services, can increase the efficiency of the operating systems thereby reducing energy usage and costs. Improving the system efficiency reduces power consumption thereby directly reducing CO₂ emissions at the power plants or onsite. Lastly, the Company's ChillSmart® offering, which combines the system optimization with the Company's Chiller Chemistry® offering, provides a snapshot of a packaged chiller's operating efficiency and health. ChillSmart® provides a very effective predictive maintenance tool and helps our customers to identify the operating chillers that cause higher operating costs.

The Company's engineers who developed and support SmartEnergy OPS® are recognized as Energy Experts and Qualified Best Practices Specialists by the United States Department of Energy ("DOE") in the areas of Steam and Process Heating under the DOE "Best Practices" program, and are the Lead International Energy Experts for steam, chillers and refrigeration systems for the United Nations Industrial Development Organization ("UNIDO"). The Company's staff have trained more than 4,000 industrial plant personnel in the US and internationally and have developed, and are currently delivering, training curriculums in 12 different countries. The Company's staff have completed more than 200 industrial ESAs in the US and internationally.

Carbon Offset Projects

CFC refrigerants are ozone depleting substances and are also highly weighted greenhouse gases that contribute to global warming and climate change. The destruction of CFC refrigerants may be eligible for verified emission reductions that can be converted and monetized into carbon offset credits that may be traded in the emerging carbon offset markets. The Company is pursuing opportunities to acquire CFC refrigerants and is developing relationships within the emerging environmental markets in order to develop opportunities for the creation and monetization of verified emission reductions from the destruction of CFC refrigerants.

In October 2015, the American Carbon Registry ("ACR") established a methodology to provide, among other things, a quantification framework for the creation of carbon offset credits for the use of certified reclaimed HFC refrigerants. The Company is pursuing opportunities to acquire HFC refrigerants and is developing relationships within the emerging environmental markets in order to develop opportunities for the creation and monetization of verified emission reductions from the reclamation of HFC refrigerants.

Summary of Revenues

The following is a summary of revenues by product category over the last three years:

	Years Ended December 31, 2017	2016	2015
	(in thousands)		
Product and related sales	\$ 136,016	\$ 101,344	\$ 75,154
RefrigerantSide [®] Services	4,364	4,137	4,568
Total	\$ 140,380	\$ 105,481	\$ 79,722

Hudson's Network

Hudson operates from a network of facilities located in:

Pearl River, New York	—Company headquarters and administrative offices
Champaign, Illinois	—Reclamation and separation of refrigerants and cylinder refurbishment center; RefrigerantSide [®] Service depot
Nashville, Tennessee	—Reclamation and separation of refrigerants and cylinder refurbishment center
Ontario, California	—Reclamation and cylinder refurbishment center
Catano, Puerto Rico	—Reclamation center and RefrigerantSide [®] Service depot
Auburn, Washington	—RefrigerantSide [®] Service depot
Baton Rouge, Louisiana	—RefrigerantSide [®] Service depot
Charlotte, North Carolina	—RefrigerantSide [®] Service depot
Escondido, California	—Refrigerants and Industrial Gases
Stony Point, New York	—RefrigerantSide [®] Service depot
Tulsa, Oklahoma	—Energy Services
Riverside, California	—Storage facility

Hampstead, New Hampshire	—Telemarketing office
Pottsboro, Texas	—Telemarketing office
Smyrna, Georgia	—Reclamation and separation of refrigerants and cylinder refurbishment center
Long Island City, New York	—Administrative, sales and marketing offices, and refrigerant storage & shipping
Lawrenceville, Georgia	—Administrative offices
Long Beach, California	—Telemarketing office

Strategic Alliances

The Company believes that the international market for refrigerant reclamation, sales and services is equal in size to the United States market for those sales and services. The Company has Alliances in Europe and South Africa, and over time, the Company expects to introduce its technology and offerings to several other markets around the world.

Suppliers

The Company's financial performance and its ability to sell refrigerants is in part dependent on its ability to obtain sufficient quantities of virgin, non-CFC based refrigerants, and of reclaimable CFC and non-CFC based, refrigerants from manufacturers, wholesalers, distributors, bulk gas brokers and from other sources within the air conditioning, refrigeration and automotive aftermarket industries, and on corresponding demand for refrigerants. The Company's refrigerant sales include CFC based refrigerants, which are no longer manufactured. Additionally, the Company's refrigerant sales include non-CFC based refrigerants, including HCFC and HFC refrigerants, which are the most-widely used refrigerants. Effective January 1, 1996, the Act limited the production of virgin HCFC refrigerants, which production was further limited in January 2004. Federal regulations enacted in January 2004 established production and consumption allowances for HCFCs and imposed limitations on the importation of certain virgin HCFC refrigerants. Under the Act, production of certain virgin HCFC refrigerants is scheduled to be phased out during the period 2010 through 2020 and production of all virgin HCFC refrigerants is scheduled to be phased out by 2030. In October 2014, the EPA published the Final Rule providing further reductions in the production and consumption allowances for virgin HCFC refrigerants for the years 2015 through 2019. In the Final Rule, the EPA has established a linear annual phase down schedule for the production or importation of virgin HCFC-22 that started at approximately 22 million pounds in 2015 and is being reduced by approximately 4.5 million pounds each year and will end at zero in 2020.

In October 2016, more than 200 countries, including the United States, agreed to amend the Montreal Protocol to phase down production of HFCs by 85% between now and 2047. The amendment establishes timetables for all developed and developing countries to freeze and then reduce production and use of HFCs, with the first reductions by developed countries starting in 2019. The amendment becomes effective January 1, 2019 as more than twenty countries have ratified the amendment. To date, the amendment has not been ratified by the United States.

Customers

The Company provides its products and services to commercial, industrial and governmental customers, as well as to refrigerant wholesalers, distributors, contractors and to refrigeration equipment manufacturers. Agreements with larger customers generally provide for standardized pricing for specified services. The Company generates sales by purchase order on a real-time basis and therefore does not carry a backlog of sales.

For the year ended December 31, 2017, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 33% of the Company's revenues. At December 31, 2017, there were \$2.7 million of outstanding receivables from these customers.

For the year ended December 31, 2016, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 30% of the Company's revenues. At December 31, 2016, there were no outstanding receivables from these customers.

For the year ended December 31, 2015, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 33% of the Company's revenues. At December 31, 2015, there were no outstanding receivables from these customers.

Marketing

Marketing programs are conducted through the efforts of the Company's executive officers, Company sales personnel, and third parties. Hudson employs various marketing methods, including direct mailings, technical bulletins, in-person solicitation, print advertising, response to quotation requests and the internet through the Company's websites (www.hudson-tech.com and www.ASPENRefrigerants.com). Information on the Company's websites are not part of this report.

The Company's sales personnel are compensated on a combination of a base salary and commission. The Company's executive officers devote significant time and effort to customer relationships.

Competition

The Company competes primarily on the basis of the performance of its proprietary high volume, high-speed equipment used in its operations, the breadth of services offered by the Company, including proprietary RefrigerantSide® Services and other on-site services, and price, particularly with respect to refrigerant sales.

The Company competes with numerous regional and national companies that market reclaimed and virgin refrigerants and provide refrigerant reclamation services. Certain of these competitors possess greater financial, marketing, distribution and other resources for the sale and distribution of refrigerants than the Company and, in some instances, serve a more extensive geographic area than the Company. Prior to the acquisition, ARI was a national competitor of Hudson in the sale of reclaimed and virgin refrigerants and in refrigerant reclamation services.

Hudson's RefrigerantSide® Services provide new and innovative solutions to certain problems within the refrigeration industry and, as such, the demand and market acceptance for these services are subject to uncertainty. Competition for these services primarily consists of traditional methods of solving the industry's problems. The Company's marketing strategy is to educate the marketplace that its alternative solutions are available and that RefrigerantSide® Services are superior to traditional methods.

Insurance

The Company carries insurance coverage that it considers sufficient to protect the Company's assets and operations. The Company currently maintains general commercial liability insurance and excess liability coverage for claims up to \$11,000,000 per occurrence and \$12,000,000 in the aggregate. The Company attempts to operate in a professional and prudent manner and to reduce potential liability risks through specific risk management efforts, including ongoing employee training.

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

Hudson maintains environmental impairment insurance of \$10,000,000 per occurrence, and \$10,000,000 annual aggregate, for events occurring subsequent to November 1996.

Government Regulation

The business of refrigerant and industrial gas sales, reclamation and management is subject to extensive, stringent and frequently changing federal, state and local laws and substantial regulation under these laws by governmental agencies, including the EPA, the United States Occupational Safety and Health Administration (“OSHA”) and the United States Department of Transportation (“DOT”).

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

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

Pursuant to the Act, reclaimed refrigerant must satisfy the same purity standards as newly manufactured, virgin refrigerants in accordance with standards established by AHRI prior to resale to a person other than the owner of the equipment from which it was recovered. The EPA administers a certification program pursuant to which applicants certify to reclaim refrigerants in compliance with AHRI standards. The Company is one of only four certified refrigerant testing laboratories in the United States under AHRI’s laboratory certification program, which is a voluntary program that certifies the ability of a laboratory to test refrigerant in accordance with the AHRI 700 standard.

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

The Company may also be subject to regulations adopted by the EPA which impose reporting requirements arising out of the importation of certain HCFCs, and arising out of the importation, purchase, production, use and/or emissions of certain greenhouse gases, including HFCs.

The Company is also subject to regulations adopted by the DOT which classify most refrigerants and industrial gases handled by the Company as hazardous materials or substances and imposes requirements for handling, packaging, labeling and transporting refrigerants and which regulate the use and operation of the Company's commercial motor vehicles used in the Company's business.

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

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

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

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

The Company is also subject to regulations adopted by the California Air Resources Board which impose certain reporting requirements arising out of the reclamation and sale of refrigerants that takes place within the State of California.

The Company believes that it is in material compliance with all applicable regulations material to its business operations.

Quality Assurance & Environmental Compliance

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

Employees

On December 31, 2017, the Company had 262 full time employees including air conditioning and refrigeration technicians, chemists, engineers, sales and administrative personnel. None of the Company's employees are represented by a union. The Company believes it has good relations with its employees.

Patents and Proprietary Information

The Company holds several U.S. and foreign patents, as well as pending patent applications, related to certain RefrigerantSide® Services and supporting systems developed by the Company for systems and processes for measuring and improving the efficiency of refrigeration systems, and for certain refrigerant recycling and reclamation technologies. These patents will expire between August 2019 and April 2031.

The Company believes that patent protection is important to its business. There can be no assurance as to the breadth or degree of protection that patents may afford the Company, that any patent applications will result in issued patents or that patents will not be circumvented or invalidated. Technological development in the refrigerant industry may result in extensive patent filings and a rapid rate of issuance of new patents. Although the Company believes that its existing patents and the Company's equipment do not and will not infringe upon existing patents or violate proprietary rights of others, it is possible that the Company's existing patent rights may not be valid or that infringement of existing or future patents or violations of proprietary rights of others may occur. In the event the Company's equipment or processes infringe, or are alleged to infringe, patents or other proprietary rights of others, the Company may be required to modify the design of its equipment or processes, obtain a license or defend a possible patent

infringement action. There can be no assurance that the Company will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action or that the Company will not become liable for damages.

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

SEC Filings

The Company makes available on its internet website copies of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments thereto, as soon as reasonably practicable after they are filed with the Securities and Exchange Commission.

Item 1A. Risk Factors

There are many important factors, including those discussed below (and above as described under “Patents and Proprietary Information”), that have affected, and in the future could affect Hudson’s business including, but not limited to, the factors discussed below, which should be reviewed carefully together with the other information contained in this report. Some of the factors are beyond Hudson’s control and future trends are difficult to predict.

Our existing and future debt obligations could impair our liquidity and financial condition.

Our existing credit facilities, consisting of an asset-based lending facility of up to \$150 million from PNC Bank and a term loan of \$105 million from funds advised by FS Investments and sub-advised by GSO Capital Partners LP., are secured by substantially all of our assets and the PNC Bank facility contains formulas that limit the amount of our future borrowings under that facility. Moreover, the terms of our credit facilities also include negative covenants that, among other things, may limit our ability to incur additional indebtedness. If we violate any loan covenants and do not obtain a waiver from our lenders, our indebtedness under the credit facilities would become immediately due and payable, and the lenders could foreclose on their security, which could materially adversely affect our business and future financial condition and could require us to curtail or otherwise cease our existing operations.

We may not successfully integrate ARI into our operations.

Our recent acquisition of ARI substantially increased the size and complexity of our company and its operations. We may not be able to successfully integrate the assets, liabilities, customers, systems or management personnel of ARI into our operations and we may not be able to realize related revenue synergies and cost savings within expected time frames. We do not have prior experience integrating an acquisition of this size and complexity and therefore there can be no assurance that we will be able to successfully integrate ARI.

We may need additional financing to satisfy our future capital requirements, which may not be readily available to us.

Our capital requirements may be significant in the future. In the future, we may incur additional expenses in the development and implementation of our operations. Due to fluctuations in the price, demand and availability of new refrigerants, our existing credit facility with PNC Bank that expires in October 2022 may not in the future be sufficient to provide all of the capital that we need to acquire and manage our inventories of new refrigerant. As a result, we may be required to seek additional equity or debt financing in order to develop our RefrigerantSide® Services business, our refrigerant sales business and our other businesses. We have no current arrangements with respect to, or sources of, additional financing other than our existing credit facility and term loan. There can be no assurance that we will be able to obtain any additional financing on terms acceptable to us or at all. Our inability to obtain financing, if and when needed, could materially adversely affect our business and future financial condition and could require us to curtail or otherwise cease our existing operations.

Adverse weather or economic downturn could adversely impact our financial results.

Our business could be negatively impacted by adverse weather or economic downturns. Weather is a significant factor in determining market demand for the refrigerants sold by us, and to a lesser extent, our RefrigerantSide® Services. Unusually cool temperatures in the spring and summer tend to depress demand for, and price of, refrigerants we sell. Protracted periods of cooler than normal spring and summer weather could result in a substantial reduction in our sales which could adversely affect our financial position as well as our results of operations. An economic downturn could cause customers to postpone or cancel purchases of the Company's products or services. Either or both of these conditions could have severe negative implications to our business that may exacerbate many of the risk factors we identified in this report but not limited, to the following:

Liquidity

These conditions could reduce our liquidity, which could have a negative impact on our financial condition and results of operations.

Demand

These conditions could lower the demand and/or price for our product and services, which would have a negative impact on our results of operations.

Financial Covenants

These conditions could impact our ability to meet our loan covenants which, if we are unable to obtain a waiver from our lenders, could materially adversely affect our business and future financial condition and could require us to curtail or otherwise cease our existing operations.

The nature of our business exposes us to potential liability.

The refrigerant recovery and reclamation industry involves potentially significant risks of statutory and common law liability for environmental damage and personal injury. We, and in certain instances, our officers, directors and employees, may be subject to claims arising from our on-site or off-site services, including the improper release, spillage, misuse or mishandling of refrigerants classified as hazardous or non-hazardous substances or materials. We may be strictly liable for damages, which could be substantial, regardless of whether we exercised due care and complied with all relevant laws and regulations. Our current insurance coverage may not be sufficient to cover potential claims, and adequate levels of insurance coverage may not be available in the future at a reasonable cost. A partially or completely uninsured claim against us, if successful and of sufficient magnitude would have a material adverse effect on our business and financial condition.

Our business and financial condition is substantially dependent on the sale and continued environmental regulation of refrigerants.

Our business and prospects are largely dependent upon continued regulation of the use and disposition of refrigerants. Changes in government regulations relating to the emission of refrigerants into the atmosphere could have a material adverse effect on us. Failure by government authorities to otherwise continue to enforce existing regulations or significant relaxation of regulatory requirements could also adversely affect demand for our services and products.

Our business is subject to significant regulatory compliance burdens.

The refrigerant reclamation and management business is subject to extensive, stringent and frequently changing federal, state and local laws and substantial regulation under these laws by governmental agencies, including the EPA, the OSHA and DOT. Although we believe that we are in material compliance with all applicable regulations material to our business operations, amendments to existing statutes and regulations or adoption of new statutes and regulations that affect the marketing and sale of refrigerant could require us to continually alter our methods of operation and/or discontinue the sale of certain of our products resulting in costs to us that could be substantial. We may not be able, for financial or other reasons, to comply with applicable laws, regulations and permit requirements, particularly as we seek to enter into new geographic markets. Our failure to comply with applicable laws, rules or regulations or permit requirements could subject us to civil remedies, including substantial fines, penalties and injunctions, as well as possible criminal sanctions, which would, if of significant magnitude, materially adversely impact our operations and future financial condition.

A number of factors could negatively impact the price and/or availability of refrigerants, which would, in turn, adversely affect our business and financial condition.

Refrigerant sales continue to represent a significant majority of our revenues. Therefore, our business is substantially dependent on the availability of both new and used refrigerants in large quantities, which may be affected by several factors including, without limitation: (i) commercial production and consumption limitations imposed by the Act and legislative limitations and ban on HCFC refrigerants; (ii) the amendment to the Montreal Protocol, if ratified, and any legislation and regulation enacted to implement the amendment, could impose limitations on production and consumption of HFC refrigerants; (iii) introduction of new refrigerants and air conditioning and refrigeration equipment; (iv) price competition resulting from additional market entrants; (v) changes in government regulation on the use and production of refrigerants; and (vi) reduction in price and/or demand for refrigerants. We do not maintain firm agreements with any of our suppliers of refrigerants and we do not hold allowances permitting us to purchase and import HCFC refrigerants from abroad. Sufficient amounts of new and/or used refrigerants may not be available to us in the future, particularly as a result of the further phase down of HCFC production, or may not be available on commercially reasonable terms. Additionally, we may be subject to price fluctuations, periodic delays or shortages of new and/or used refrigerants. Our failure to obtain and resell sufficient quantities of virgin refrigerants on commercially reasonable terms, or at all, or to obtain, reclaim and resell sufficient quantities of used refrigerants would have a material adverse effect on our operating margins and results of operations.

As a result of competition, and the strength of some of our competitors in the market, we may not be able to compete effectively.

The markets for our services and products are highly competitive. We compete with numerous regional and national companies which provide refrigerant recovery and reclamation services, as well as companies which market and deal in new and reclaimed alternative refrigerants, including certain of our suppliers, some of which possess greater financial, marketing, distribution and other resources than us. We also compete with numerous manufacturers of refrigerant recovery and reclamation equipment. Certain of these competitors have established reputations for success in the service of air conditioning and refrigeration systems. We may not be able to compete successfully, particularly as we seek to enter into new markets.

Issues relating to potential global warming and climate change could have an impact on our business.

Refrigerants are considered to be strong greenhouse gases that are believed to contribute to global warming and climate change and are now subject to various state and federal regulations relating to the sale, use and emissions of refrigerants. Current and future global warming and climate change or related legislation and/or regulations may impose additional compliance burdens on us and on our customers and suppliers which could potentially result in increased administrative costs, decreased demand in the marketplace for our products, and/or increased costs for our

supplies and products. In addition, an amendment to the Montreal Protocol has established timetables for all developed and developing countries to freeze and then reduce production and use of HFCs by 85% between now and 2047, with the first reductions by developed countries starting in 2019. The amendment becomes effective January 1, 2019. To date, the amendment has not been ratified by the United States. It is unclear if the United States will ratify the amendment and, if it does ratify the amendment, it is unclear what legislation and/or regulations will be enacted to implement the amendment.

The loss of key management personnel would adversely impact our business.

Our success is largely dependent upon the efforts of our Chief Executive Officer and Chairman. The loss of his services would have a material adverse effect on our business and prospects.

We have the ability to designate and issue preferred stock, which may have rights, preferences and privileges greater than Hudson's common stock and which could impede a subsequent change in control of us.

Our Certificate of Incorporation authorizes our Board of Directors to issue up to 5,000,000 shares of "blank check" preferred stock and to fix the rights, preferences, privileges and restrictions, including voting rights, of these shares, without further shareholder approval. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of holders of any additional preferred stock that may be issued by us in the future. Our ability to issue preferred stock without shareholder approval could have the effect of making it more difficult for a third party to acquire a majority of our voting stock, thereby delaying, deferring or preventing a change in control of us.

If our common stock were delisted from NASDAQ it could be subject to "penny stock" rules which would negatively impact its liquidity and our shareholders' ability to sell their shares.

Our common stock is currently listed on the NASDAQ Capital Market. We must comply with numerous NASDAQ Marketplace rules in order to continue the listing of our common stock on NASDAQ. There can be no assurance that we can continue to meet the rules required to maintain the NASDAQ listing of our common stock. If we are unable to maintain our listing on NASDAQ, the market liquidity of our common stock may be severely limited.

Our management has significant control over our affairs.

Currently, our officers and directors collectively own approximately 14% of our outstanding common stock. Accordingly, our officers and directors are in a position to significantly affect major corporate transactions and the election of our directors. There is no provision for cumulative voting for our directors.

We may fail to successfully integrate any additional acquisitions made by us into our operations.

As part of our business strategy, we may look for opportunities to grow by acquiring other product lines, technologies or facilities that complement or expand our existing business. We may be unable to identify additional suitable acquisition candidates or negotiate acceptable terms. In addition, we may not be able to successfully integrate any assets, liabilities, customers, systems or management personnel we may acquire into our operations and we may not be able to realize related revenue synergies and cost savings within expected time frames. There can be no assurance that we will be able to successfully integrate any prior or future acquisition.

Our information technology systems, processes, and sites may suffer interruptions, failures, or attacks which could affect our ability to conduct business.

Our information technology systems provide critical data connectivity, information and services for internal and external users. These include, among other things, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, storing project information and other processes necessary to manage the business. Our systems and technologies, or those of third parties on which we rely, could fail or become unreliable due to equipment failures, software viruses, cyber threats, terrorist acts, natural disasters, power failures or other causes. Cybersecurity threats are evolving and include, but are not limited to, malicious software, cyber espionage, attempts to gain unauthorized access to our sensitive information, including that of our customers, suppliers, and subcontractors, and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. Although we utilize various procedures and controls to monitor and mitigate these threats, there can be no assurance that these procedures and controls will be sufficient to prevent security threats from materializing. If any of these events were to materialize, the costs related to cyber or other security threats or disruptions may not be fully insured or indemnified and could have a material adverse effect on our reputation, operating results, and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's headquarters are located in a multi-tenant building in Pearl River, New York, which houses the Company's executive officers, its accounting and administrative staff, and its information technology staff and equipment, and maintains administrative and sales offices for ARI in Long Island City, New York. The Company's key reclamation, processing and cylinder refurbishment facilities are located in Champaign, Illinois, in Smyrna, Georgia and in Nashville, Tennessee. The Company also sells industrial gases out of facilities located in Escondido, California and in Champaign, Illinois. The Company maintains smaller reclamation and cylinder refurbishing facilities in Ontario, California and in Cantano, Puerto Rico. The Company also maintains four smaller service depots for the performance of its RefrigerantSide® Services and maintains three sales and telemarketing offices.

Hudson's key operational facilities are as follows:

Location	Owned or Leased	Description
Pearl River, New York	Leased	Company headquarters and administrative offices
Champaign, Illinois	Owned	Reclamation and separation of refrigerants and cylinder refurbishment
Champaign, Illinois	Leased	Refrigerant packaging, cylinder refurbishment, RefrigerantSide® Service depot, refrigerant and industrial gases storage
Nashville, Tennessee	Leased	Reclamation and separation of refrigerants and cylinder refurbishment center
Smyrna, Georgia	Leased	Reclamation and separation of refrigerants and cylinder refurbishment center
Smyrna, Georgia	Owned	Refrigerant Storage
Long Island City, New York	Leased	Administrative, sales and marketing offices, refrigerant storage & shipping
Escondido, California	Leased	Refrigerants and Industrial gases
Tulsa, Oklahoma	Leased	Energy Services

Item 3. Legal Proceedings

On April 1, 1999, the Company reported a release of approximately 7,800 lbs. of R-11 refrigerant (the “1999 Release”), at its former leased facility in Hillburn, NY (the “Hillburn Facility”), which the Company vacated in June 2006.

Since September 2000, last modified in March 2013, the Company signed an Order on Consent with the New York State Department of Environmental Conservation (“DEC”) whereby the Company agreed to operate a remediation system to reduce R-11 refrigerant levels in the groundwater under and around the Hillburn Facility and agreed to perform periodic testing at the Hillburn Facility until remaining groundwater contamination has been effectively abated. The Company accrued, as an expense in its consolidated financial statements, the costs that the Company believes it will incur in connection with its compliance with the Order of Consent through December 31, 2018. There can be no assurance that additional testing will not be required or that the Company will not incur additional costs and such costs in excess of the Company’s estimate may have a material adverse effect on the Company financial condition or results of operations. The Company has exhausted all insurance proceeds available for the 1999 Release under all applicable policies.

In May 2000 the Hillburn Facility, as a result of the 1999 Release, was nominated by EPA for listing on the National Priorities List (“NPL”) pursuant to CERCLA. In September 2003, the EPA advised the Company that it had no current plans to finalize the process for listing of the Hillburn Facility on the NPL.

During the years ended December 31, 2017, 2016 and 2015 the Company incurred no additional remediation costs in connection with the matters above. The remaining liability on our Balance Sheet as of December 31, 2017 is approximately \$90,000. There can be no assurance that the ultimate outcome of the 1999 Release will not have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that the EPA will not change its current plans and seek to finalize the process of listing the Hillburn Facility on the NPL, or that the ultimate outcome of such a listing will not have a material adverse effect on the Company's financial condition and results of operations.

Item 4. Mine Safety Disclosures

Not Applicable.

Part II**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's common stock trades on the NASDAQ Capital Market under the symbol “HDSN”. The following table sets forth, for the periods indicated, the range of the high and low sale prices for the common stock as reported by NASDAQ.

	High	Low
2017		
- First Quarter	\$8.20	\$6.13
- Second Quarter	\$8.74	\$6.35
- Third Quarter	\$9.44	\$7.71
- Fourth Quarter	\$7.83	\$5.49
2016		
- First Quarter	\$3.69	\$2.64
- Second Quarter	\$3.95	\$3.09
- Third Quarter	\$6.72	\$3.26
- Fourth Quarter	\$8.50	\$5.55

Stock Price Performance Graph

The following graph illustrates a comparison of the total cumulative stockholder return on our common stock since December 31, 2012, to two indices: the NASDAQ Composite Index and the Nasdaq Industrial Index. The stockholder return shown in the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.

The above Stock Price Performance Graph and related information shall not be deemed “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The number of record holders of the Company's common stock was approximately 141 as of March 9, 2018. The Company believes that there are in excess of 7,000 beneficial owners of its common stock.

To date, the Company has not declared or paid any cash dividends on its common stock. The payment of dividends, if any, in the future is within the discretion of the Board of Directors and will depend upon the Company's earnings, its capital requirements and financial condition, borrowing covenants, and other relevant factors. The Company presently intends to retain all earnings, if any, to finance the Company's operations and development of its business and does not expect to declare or pay any cash dividends on its common stock in the foreseeable future. In addition, the Company has a credit facility with PNC Bank National Association ("PNC") and a separate term loan that, among other things, restrict the Company's ability to declare or pay any cash dividends on its capital stock.

Item 6. Selected Financial Data

The following selected financial data, with respect to our financial position and results of operations for each of the five fiscal years in the period ended December 31, 2017, set forth below, has been derived from, should be read in conjunction with and is qualified in its entirety by reference to, our consolidated financial statements and notes thereto, included either elsewhere in this report or in reports we have filed previously with the SEC. The selected financial data presented below should also be read in conjunction with ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

(Amounts in thousands, except per share data)	For the Year Ended				
	2017 *	2016	2015	2014	2013
Selected Statement of Operations Data:					
Revenues	\$140,380	\$105,481	\$79,722	\$55,810	\$58,634
Gross profit	\$37,984	\$31,086	\$18,489	\$6,446	\$(730)
Operating income (loss)	\$15,132	\$18,947	\$8,181	\$(985)	\$(8,485)
Net income (loss)	\$11,157	\$10,637	\$4,763	\$(720)	\$(5,842)
Net income (loss) per share - Basic	\$0.27	\$0.31	\$0.15	\$(0.02)	\$(0.24)
Net income (loss) per share- Diluted	\$0.26	\$0.30	\$0.14	\$(0.02)	\$(0.24)
Weighted average number of shares- Basic	41,764	34,104	32,547	29,123	24,826
Weighted average number of shares- Diluted	42,767	35,417	33,936	29,123	24,826
Selected Balance Sheet Data:					
Cash and cash equivalents	\$5,002	\$33,931	\$1,258	\$935	\$669
Inventory	\$172,485	\$68,601	\$61,897	\$37,017	\$33,967
Total assets	\$321,444	\$122,470	\$85,011	\$59,935	\$52,368
Debt- short and long-term	\$167,360	\$351	\$24,866	\$10,709	\$20,038
Stockholders’ Equity	\$123,453	\$112,017	\$49,425	\$43,999	\$28,086

*- 2017 includes the operating results of ARI from October 10, 2017, which is the acquisition date, through December 31, 2017. No ARI results are included in prior periods.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Certain statements, contained in this section and elsewhere in this Form 10-K, 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 ARI and any other assets it acquires from third parties into its operations, and other risks detailed in the this report 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 Policies

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 allowance for doubtful accounts, inventory reserves, and valuation allowance for the deferred tax assets relating to its net operating loss carry forwards ("NOLs"), goodwill and intangible assets and commitments and contingencies. With respect to 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. In determining the Company's valuation allowance for its deferred tax assets, the Company assesses its ability to generate taxable income in the future. 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. The Company tests for any impairment of goodwill annually. Intangibles with determinable lives are amortized over the estimated useful lives of the assets currently ranging from 2 to 13 years. The Company reviews these useful lives annually to determine that they reflect future realizable value. 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.

Overview

Sales of refrigerants continue to represent a significant majority of the Company's revenues. The Company's refrigerant sales are primarily HCFC and HFC based refrigerants and to a lesser extent CFC based refrigerants that are no longer manufactured. Currently the Company purchases virgin HCFC and HFC refrigerants and reclaimable HCFC, HFC and CFC refrigerants from suppliers and its customers. Effective January 1, 1996, the Clean Air Act (the "Act") prohibited the production of virgin CFC refrigerants and limited the production of virgin HCFC refrigerants, which production was further limited in January 2004. Federal regulations enacted in January 2004 established production and consumption allowances for HCFCs and imposed limitations on the importation of certain virgin HCFC refrigerants. Under the Act, production of certain virgin HCFC refrigerants is scheduled to be phased out during the period 2010 through 2020, and production of all virgin HCFC refrigerants is scheduled to be phased out by 2030. In October 2014, the EPA published the Final Rule providing further reductions in the production and consumption allowances for virgin HCFC refrigerants for the years 2015 through 2019. In the Final Rule, the EPA has established a linear annual phase down schedule for the production or importation of virgin HCFC-22 that started at approximately 22 million pounds in 2015 and is being reduced by approximately 4.5 million pounds each year and ends at zero in 2020.

The Company has created and developed a service offering known as RefrigerantSide® Services. RefrigerantSide® Services are sold to contractors and end-users whose refrigeration systems are used in commercial air conditioning and industrial processing. These services are offered in addition to refrigerant sales and the Company's traditional refrigerant management services, which consist primarily of reclamation of refrigerants. The Company has created a network of service depots that provide a full range of the Company's RefrigerantSide® Services to facilitate the growth and development of its service offerings.

The Company focuses its sales and marketing efforts for its RefrigerantSide® Services on customers who the Company believes most readily appreciate and understand the value that is provided by its RefrigerantSide® Services offering. In pursuing its sales and marketing strategy, the Company offers its RefrigerantSide® Services to customers in the following industries: petrochemical, pharmaceutical, industrial power, manufacturing, commercial facility and property management and maritime. The Company may incur additional expenses as it further develops and markets its RefrigerantSide® Services offering.

In July 2016 the Company was awarded, as prime contractor, a five-year contract, including a five-year renewal option, by the DLA for the management, supply, and sale of refrigerants, compressed gases, cylinders and related terms.

Recent Acquisition

On October 10, 2017, the Company and its wholly-owned subsidiary, Holdings, completed the Acquisition of ARI and effective October 11, 2017, ARI's name was changed to Aspen Refrigerants, Inc. At closing, Holdings paid net cash consideration to Airgas of approximately \$209 million, which includes preliminary post-closing adjustments relating to: (i) changes in the net working capital of ARI as of the closing relative to a net working capital target, (ii) the actual amount of specified types of R-22 refrigerant inventory on hand at closing relative to a target amount thereof, and (iii) other consideration pursuant to the stock purchase agreement.

The cash consideration paid by Holdings at closing was financed with available cash balances, plus \$80 million of borrowings under an enhanced asset-based lending facility of \$150 million from PNC Bank and a new term loan of \$105 million from funds advised by FS Investments and sub-advised by GSO Capital Partners LP.

Results of Operations

Year ended December 31, 2017 as compared to the year ended December 31, 2016

Revenues for the year ended December 31, 2017 were \$140.4 million, an increase of \$34.9 million or 33.1% from the \$105.5 million reported during the comparable 2016 period. Included in the increase in revenues of \$34.9 million is \$14.8 million from ARI revenue subsequent to the acquisition date of October 10, 2017. The remaining increase in revenues of \$20.1 million results from an increase in Hudson's historical businesses. The increase in Hudson's historical refrigerant and related revenue is primarily related to an increase in the selling price per pound of certain refrigerants sold, which accounted for an increase in revenues of \$16.2 million, as well as an increase in the number of pounds of certain refrigerants sold, which accounted for an increase in revenues of \$3.9 million.

Cost of sales for the year ended December 31, 2017 was \$102.4 million or 73% of sales. The cost of sales for the year ended December 31, 2016 was \$74.4 million or 71% of sales. The increase in the cost of sales percentage from 71% for the year ended December 31, 2016 to 73% for the year ended December 31, 2017 is primarily due to the increase in the cost per pound of certain refrigerants sold for the twelve month period ended December 31, 2017 compared to the same period in 2016. In addition, subsequent to the acquisition of ARI during the fourth quarter of 2017, the Company recorded approximately \$0.8 million of amortization relating to the step-up of basis of newly acquired inventories.

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2017 were \$21.7 million, an increase of \$10.0 million from the \$11.7 million reported during the comparable 2016 period. The increase in SG&A is primarily due to \$6.3 million of nonrecurring acquisition and related fees relating to the acquisition of ARI, which was consummated on October 10, 2017; and \$4.0 million of additional operating expense relating to the ARI operations.

Amortization expense for the year ended December 31, 2017 was \$1.1 million, an increase of \$0.6 million from the \$0.5 million reported during the comparable 2016 period. The variance is almost entirely due to increased amortization expense of other intangible assets, such as customer relationships, relating to the ARI acquisition during the fourth quarter of 2017.

Other expense for the year ended December 31, 2017 was \$3.1 million, compared to the \$1.7 million reported during the comparable 2016 period. The \$1.4 million difference is mainly due to a \$2.0 million increase in interest expense relating to additional borrowings as a result of the ARI acquisition, offset by the \$0.6 million reduction in Other expense, namely the absence of any 2017 earnout-related expense from prior acquisitions, which existed in 2016.

Income tax expense for the year ended December 31, 2017 was \$0.8 million compared to income tax expense for the year ended December 31, 2016 of \$6.6 million. In 2017, there were two key drivers of a reduction in income tax expense: (1) approximately \$1.4 million from the effect of new federal tax legislation enacted during the fourth quarter of 2017, and (2) approximately \$2.4 million of excess tax benefits associated with the exercise of stock options in 2017. For 2017 and 2016, income tax expense was reported for federal and state income taxes using statutory rates applied to adjusted pre-tax income.

Net income for the year ended December 31, 2017 was \$11.2 million, an increase of \$0.6 million from the \$10.6 million net income reported during the comparable 2016 period, primarily due to the increase in revenues and a lower effective tax rate, partially offset by an increase in operating expenses and other expenses.

Year ended December 31, 2016 as compared to the year ended December 31, 2015

Revenues for the year ended December 31, 2016 were \$105.5 million, an increase of \$25.8 million or 32% from the \$79.7 million reported during the comparable 2015 period. The increase in revenues was attributable to an increase in refrigerant revenues of \$26.2 million, offset by a reduction in services revenues of \$0.4 million. The increase in refrigerant revenue is primarily related to an increase in the selling price per pound of certain refrigerants sold, which accounted for an increase in revenues of \$17.6 million, as well as an increase in the number of pounds of certain refrigerants sold, which accounted for an increase in revenues of \$8.6 million.

Cost of sales for the year ended December 31, 2016 was \$74.4 million or 71% of sales. The cost of sales for the year ended December 31, 2015 was \$61.2 million or 77% of sales. The decrease in the cost of sales percentage from 77% for the year ended December 31, 2015 to 71% for the year ended December 31, 2016 is primarily due to the increase in the selling price per pound of certain refrigerants sold and to a lesser extent, increases in volume sold for the year ended December 31, 2016 compared to the same period in 2015.

Operating expenses for the year ended December 31, 2016 were \$12.1 million, an increase of \$1.8 million from the \$10.3 million reported during the comparable 2015 period. The increase in operating expenses is primarily due to an increase in non-cash, non-recurring stock compensation expense and professional fees in 2016 when compared to 2015.

Other expense for the year ended December 31, 2016 was \$1.7 million, compared to the \$0.5 million reported during the comparable 2015 period. The Company recorded \$0.6 million of expense relating to a deferred acquisition cost in 2016, compared to \$0.3 million of income in 2015. Interest expense included in Other expense increased from \$0.8 million in 2015 to \$1.1 million in 2016. The increase in interest expense is due to increased borrowings under the PNC Credit Facility. As of December 31, 2016, the Company had paid off its borrowings under the PNC Credit Facility.

Income tax expense for the year ended December 31, 2016 was \$6.6 million compared to income tax expense for the year ended December 31, 2015 of \$2.9 million. The \$3.7 million increase was attributable to higher pre-tax income for 2016 when compared to 2015. For 2016 and 2015, income tax expense was reported for federal and state income taxes using statutory rates applied to adjusted pre-tax income.

Net income for the year ended December 31, 2016 was \$10.6 million, an increase of \$5.8 million from the \$4.8 million net income reported during the comparable 2015 period, primarily due to the increase in revenues, partially offset by an increase in operating expenses and income tax expense.

Liquidity and Capital Resources

At December 31, 2017, the Company had working capital, which represents current assets less current liabilities, of \$113.6 million, an increase of \$15.7 million from the working capital of \$97.9 million at December 31, 2016. The increase in working capital is primarily attributable to the increased net assets acquired through the ARI acquisition and higher net income in 2017.

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 year ended December 31, 2017, was \$18.4 million compared with \$9.3 million of net cash provided by operating activities for the comparable 2016 period and net cash used in operating activities of \$10.5 million for the comparable 2015 period. Net cash provided by operating activities for the year ended December 31, 2017 was primarily attributable to increased net income and the timing of our accounts payable and receivable. Net cash provided by operating activities for the 2016 period was primarily attributable to net income, offset by increases in accounts receivable and inventory. Net cash used by operating activities for the 2015 period was primarily attributable to an increase in inventory partially offset by net income, the utilization of the deferred tax assets, as well as increases in accounts payable and accrued expenses.

Net cash used by investing activities for the year ended December 31, 2017, was \$210.0 million, compared with net cash used by investing activities of \$1.7 million for the comparable 2016 period, and net cash used by investing activities of \$3.3 million for the comparable 2015 period. The net cash used by investing activities for the year ended December 31, 2017 was primarily related to the acquisition of ARI for \$209.0 million, as previously discussed, and approximately \$1.0 million of additions to property, plant and equipment. The net cash used by investing activities for the 2016 period was primarily related to investment in general purpose equipment for the Company's reclamation operations. The net cash used by investing activities for the 2015 period was primarily related to the acquisition of a refrigerant and compressed gases supplier, as well as investment in general purpose equipment for the Company's Champaign, Illinois facility.

Net cash provided by financing activities for the year ended December 31, 2017, was \$162.7 million compared with net cash provided by financing activities of \$25.1 million for the comparable 2016 period, and net cash provided by financing activities of \$14.2 million for the comparable 2015 period. The net cash provided by financing activities for the year ended December 31, 2017 was primarily due to the financing of the ARI acquisition during the fourth quarter of 2017. The Company initially borrowed \$185 million, consisting of \$105 million from a term loan and \$80 million of revolving loans under the PNC credit facility, and then subsequently paid \$15 million of the revolver to arrive at a balance of \$170 million of debt related to the ARI acquisition as of December 31, 2017. The Company also incurred \$5.4 million of debt financing costs related to the transaction, which are amortized over the term of each loan. The net cash provided by financing activities for the 2016 period was primarily due to the proceeds from the issuance of common stock, offset by the repayment of debt and payment of deferred acquisition cost. The net cash provided by financing activities for the 2015 period was primarily due to increased borrowings on the PNC credit facility.

The Company had cash and cash equivalents of \$5.0 million and \$33.9 million at December 31, 2017 and 2016, respectively. The Company may, to the extent necessary, continue to utilize its cash balances to purchase equipment primarily for its operations. The Company continues to assess its capital expenditure needs.

The following is a summary of the Company's significant contractual obligations for the periods indicated that existed as of December 31, 2017 (in 000's):

	Twelve Month Period Ending December 31,					Thereafter	Total
	2018	2019	2020	2021	2022		
Long and short term debt and capital lease obligations:							
Revolving credit line (1)	\$65,054	\$-	\$-	\$-	\$-	\$-	\$65,054
Term loan	1,050	1,050	1,050	1,050	1,050	99,750	105,000
Other liabilities	98	47	9	3	-	-	157
Estimated interest (2)	11,318	9,026	8,934	8,843	8,751	8,660	55,532
Operating leases	2,374	1,183	1,155	958	655	3,943	10,268
Total contractual obligations	\$79,894	\$11,306	\$11,148	\$10,854	\$10,456	\$112,353	\$236,011

(1) Assumes \$65 million of revolving loans under the PNC credit facility will be paid within 12 months. Remaining amounts are primarily principal due on the term loan.

(2) The estimated future interest payments on all debt other than revolving debt are based on the respective interest rates applied to the declining principal balances on each of the notes. Interest rate assumed is the current existing Eurodollar rate plus applicable margin applied to all future periods.

Credit Facilities

Amendment and Restatement of Revolving Credit Facility

On June 22, 2012, Hudson Technologies Company (“HTC”), an indirect subsidiary of the Company, entered into a Revolving Credit, Term Loan and Security Agreement (the “Original PNC Facility”) with PNC Bank, National Association, as agent (“Agent” or “PNC”), and such other lenders as may thereafter become a party to the Original PNC Facility. Between June 2012 and April 2016, the Company entered into six amendments to the Original PNC Facility. Under the terms of the Original PNC Facility, as amended, the Maximum Loan Amount (as defined in the Original PNC Facility) was \$40,000,000 to \$50,000,000, the Maximum Revolving Advance Amount (as defined in the Original PNC Facility) was \$46,000,000. Additionally, pursuant to the Fifth PNC Amendment, the Termination Date of the Facility (as defined in the Original PNC Facility) was extended to June 30, 2020.

On October 10, 2017, HTC, Holdings and ARI, as borrowers (collectively, the “Borrowers”), and the Company as a guarantor, became obligated under an Amended and Restated Revolving Credit and Security Agreement (the “PNC Facility”) with PNC, as administrative agent, collateral agent and lender, PNC Capital Markets LLC as lead arranger and sole bookrunner, and such other lenders as may thereafter become a party to the PNC Facility. The PNC Facility amended and restated the Original PNC Facility.

Under the terms of the PNC Facility, the Borrowers may borrow, from time to time, up to \$150 million at any time consisting of revolving loans in a maximum amount up to the lesser of \$150 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 PNC Facility. The PNC Facility also contains a sublimit of \$15 million for swing line loans and \$5 million for letters of credit.

Amounts borrowed under the PNC Facility were used by the Borrowers to consummate the acquisition of ARI and for working capital needs, certain permitted future acquisitions, and to reimburse drawings under letters of credit. At December 31, 2017, total borrowings under the PNC Facility were \$65 million, and total availability was \$64.3 million. In addition, there was a \$130,000 outstanding letter of credit at December 31, 2017.

Interest on loans under the PNC Facility is payable in arrears on the first day of each month with respect to loans bearing interest at the domestic rate (as set forth in the PNC Facility) and at the end of each interest period with respect to loans bearing interest at the Eurodollar rate (as set forth in the PNC Facility) or, for Eurodollar rate loans with an interest period in excess of three months, at the earlier of (a) each three months from the commencement of such Eurodollar rate loan or (b) the end of the interest period. Interest charges with respect to loans are computed on the actual principal amount of loans outstanding during the month at a rate per annum equal to (A) with respect to domestic rate loans, the sum of (i) a rate per annum equal to the higher of (1) the base commercial lending rate of PNC, (2) the federal funds open rate plus 0.5% and (3) the daily LIBOR plus 1.0%, plus (ii) between 0.50% and 1.00% depending on average quarterly undrawn availability and (B) with respect to Eurodollar rate loans, the sum of the Eurodollar rate plus between 1.50% and 2.00% depending on average quarterly undrawn availability.

Borrowers and the Company granted to the Agent, for the benefit of the 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 PNC Facility contains a fixed charge coverage ratio covenant. The PNC 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 commitments under the PNC 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 October 10, 2022, unless the commitments are terminated and the outstanding principal amount of the loans are accelerated sooner following an event of default.

In connection with the closing of the PNC Facility, the Company also entered into an Amended and Restated Guaranty and Suretyship Agreement, dated as of October 10, 2017 (the "Revolver Guarantee"), pursuant to which the Company affirmed its unconditional guarantee of the payment and performance of all obligations owing by Borrowers to PNC, as Agent for the benefit of the revolving lenders.

New Term Loan Facility

On October 10, 2017, HTC, Holdings and ARI, as borrowers, and the Company, as guarantor, became obligated under a Term Loan Credit and Security Agreement (the “Term Loan Facility”) with U.S. Bank National Association, as administrative agent and collateral agent (“Term Loan Agent”) and funds advised by FS Investments and sub-advised by GSO Capital Partners LP and such other lenders as may thereafter become a party to the Term Loan Facility (the “Term Loan Lenders”).

Under the terms of the Term Loan Facility, the Borrowers immediately borrowed \$105 million pursuant to a term loan (the “Initial Term Loan”) and may borrow up to an additional \$25 million for a period of eighteen months after closing to fund additional permitted acquisitions (the “Delayed Draw Commitment”, and together with the Initial Term Loan, the “Term Loans”).

The Term Loans mature on October 10, 2023. Principal payments on the Term Loans are required on a quarterly basis, commencing with the quarter ending March 31, 2018, in the amount of 1% of the original principal amount of the outstanding Term Loans per annum. The Term Loan Facility also requires annual payments of up to 50% of Excess Cash Flow (as defined in the Term Loan Facility) depending upon the Company’s Total Leverage Ratio (as defined in the Term Loan Facility) for the applicable year. The Term Loan Facility also requires mandatory prepayments of the Term Loans in the event of certain asset dispositions, debt issuances, and casualty and condemnation events. The Term Loans may be prepaid at the option of the Borrowers at par in an amount up to \$30 million. Additional prepayments are permitted after the first anniversary of the closing date subject to a prepayment premium of 3% in year two, 1% in year three and zero in year four and thereafter.

Interest on the Term Loans is generally payable on the earlier of the last day of the interest period applicable to such Eurodollar rate loan and the last day of the Term Loan Facility, as applicable. Interest is payable at the rate per annum of the Eurodollar Rate (as defined in the Term Loan Facility) plus 7.25%. The Borrowers have the option of paying 3.00% interest per annum in kind by adding such amount to the principal of the Term Loans during no more than five fiscal quarters during the term of the Term Loan Facility.

Borrowers and the Company granted to 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 total leverage ratio covenant, tested quarterly. The Term Loan Facility also contains customary non-financial covenants relating to the Company and the Borrowers, including limitations on their 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 Suretyship Agreement, dated as of October 10, 2017 (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”).

The Company was in compliance with all covenants, under the PNC Facility and the Term Loan Facility as of December 31, 2017. 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. Although we expect to remain in compliance with all covenants in the PNC Facility and the Term Loan Facility depending on our future operating performance and general economic conditions, we cannot make any assurance that we will continue to be in compliance.

December 2016 Public Offering

On December 8, 2016 the Company entered into an Underwriting Agreement with two investment banking firms for themselves and as representatives for two other investment banking firms (collectively, the "Underwriters"), in connection with an underwritten offering (the "Offering") of 6,428,571 shares of the Company's common stock, par value \$0.01 per share (the "Firm Shares"). Pursuant to the Underwriting Agreement, the Company agreed to sell to the Underwriters, and the Underwriters agreed to purchase from the Company, an aggregate of 6,428,571 shares of common stock and also granted the Underwriters a 30 day option to purchase up to 964,285 additional shares of its common stock to cover over-allotments, if any. The Company also agreed to reimburse certain expenses incurred by the Underwriters in the Offering.

The closing of the Offering was held on December 14, 2016, at which time the Company sold 7,392,856 shares of its common stock to the Underwriters (including 964,285 shares to cover over-allotments) at a price to the public of \$7.00 per share, less underwriting discounts and commissions, and received gross proceeds of \$51.7 million. The Company incurred approximately \$3.3 million of transaction fees in connection with the Offering, resulting in net proceeds of \$48.4 million.

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 PNC 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 has not historically 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 Act the phase-down of future production of certain virgin HCFC refrigerants commenced in 2010 and is scheduled to be 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.

For the year ended December 31, 2017, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 33% of the Company's revenues. At December 31, 2017, there were \$2.7 million outstanding receivables from these customers.

For the year ended December 31, 2016, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 30% of the Company's revenues. At December 31, 2016, there were no outstanding receivables from these customers.

For the year ended December 31, 2015, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 33% of the Company's revenues. At December 31, 2015, there were no outstanding receivables from these customers.

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 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. The Company is continuing to assess its RefrigerantSide® Service revenues seasonal trend.

Off-Balance Sheet Arrangements

None.

Recent Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" (ASU 2017-04) which simplifies the accounting for goodwill impairment by eliminating Step 2 of the current goodwill impairment test which requires a hypothetical purchase price allocation to measure goodwill impairment. Under the new standard, a company will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 does not change the guidance on completing Step 1 of the goodwill impairment test and still allows a company to perform the optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. The standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019 with early adoption permitted for any impairment test performed on testing dates after January 1, 2017. The Company adopted this standard on January 1, 2017 and has applied its guidance in its impairment assessments.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This ASU addresses eight specific cash flow issues with the objective of eliminating the existing diversity in practice. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2017, and for interim periods therein, with early adoption permitted. We elected to early adopt ASU 2016-15 as of December 31, 2016, and the adoption did not have a material impact on the presentation of the statement of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses." This ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and for interim periods therein. The Company does not expect the amended standard to have a material impact on the Company's results of operations.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." This guidance involves several aspects of accounting for employee share-based payments including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The Company adopted this ASU on a prospective basis on January 1, 2017. Excess tax benefits and deficiencies are recognized in the consolidated statement of earnings rather than capital in excess of par value of stock. Excess tax benefits within the consolidated statement of cash flows are presented as an operating activity. The impact of the adoption on the Company's income tax expense or benefit and related cash flows during and after the period of adoption are dependent in part upon grants and vesting of stock-based compensation awards and other factors that are not fully controllable or predicable by the Company, such as the future market price of the Company's common stock, the timing of employee exercises of vested stock options, and the future achievement of performance criteria that affect performance-based awards. The Company adopted this ASU at the beginning of 2017 and during 2017, the impact of this standard reduced the Company's income tax expense and increased net income by

approximately \$2.4 million.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. At a minimum, adoption of ASU 2016-02 will require recording a ROU asset and a lease liability on the Company's consolidated balance sheet; however, the Company is still currently evaluating the impact on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes". ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected. For public business entities, the amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company elected to early adopt ASU 2015-17 prospectively in the fourth quarter of 2016. As a result, all deferred tax assets and liabilities have been presented as noncurrent on the consolidated balance sheet as of December 31, 2016. There was no impact on its results of operations as a result of the adoption of ASU 2015-17.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", or ASU 2015-16. This amendment requires the acquirer in a business combination to recognize in the reporting period in which adjustment amounts are determined, any adjustments to provisional amounts that are identified during the measurement period, calculated as if the accounting had been completed at the acquisition date. Prior to the issuance of ASU 2015-16, an acquirer was required to restate prior period financial statements as of the acquisition date for adjustments to provisional amounts. The amendments in ASU 2015-16 are to be applied prospectively upon adoption. The Company adopted ASU 2015-16 in the fourth quarter of 2016. The adoption of the provisions of ASU 2015-16 did not have a material impact on its results of operations or financial position.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 340): Simplifying the Measurement of Inventory." Under ASU 2015-11, companies utilizing the first-in, first-out or average cost method should measure inventory at the lower of cost or net realizable value, whereas net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective for interim and annual reporting periods beginning after December 15, 2016. The adoption of ASU 2015-11 did not have a material impact on the Company's results of operations or financial position.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." The new revenue recognition standard provides a five-step analysis to determine when and how revenue is recognized. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new, expanded disclosures related to the entity's revenue streams, performance obligations and significant judgments made in applying the standard. This ASU is effective for annual periods beginning after December 15, 2017 and should be applied retrospectively to each reporting period presented or using a modified retrospective application with the cumulative effect recognized at the date of initial application. The Company will adopt this standard on January 1, 2018 using the modified retrospective method. The Company has substantially completed its assessment of its revenue practices. Based on the evaluation performed to date, the Company has concluded that the adoption of this standard will have no impact on our financial position, results of operations or cash flows and will not have a significant impact on our internal controls over financial reporting. The Company is still assessing the impact the adoption of the standard will have on the newly required disclosures, which will be finalized during the first quarter of 2018.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

We are exposed to market risk from fluctuations in interest rates on the PNC Facility and on the Term Loan Facility. The PNC Facility is a \$150,000,000 secured facility, and the Term Loan Facility provides for Term Loans of \$105,000,000, subject to increase under certain circumstances.

Interest on loans under the PNC Facility is payable in arrears on the first day of each month with respect to loans bearing interest at the domestic rate (as set forth in the PNC Facility) and at the end of each interest period with respect to loans bearing interest at the Eurodollar rate (as set forth in the PNC Facility) or, for Eurodollar rate loans with an interest period in excess of three months, at the earlier of (a) each three months from the commencement of such Eurodollar rate loan or (b) the end of the interest period. Interest charges with respect to loans are computed on the actual principal amount of loans outstanding during the month at a rate per annum equal to (A) with respect to domestic rate loans, the sum of (i) a rate per annum equal to the higher of (1) the base commercial lending rate of PNC, (2) the federal funds open rate plus 0.5% and (3) the daily LIBOR plus 1.0%, plus (ii) between 0.50% and 1.00% depending on average quarterly undrawn availability and (B) with respect to Eurodollar rate loans, the sum of the Eurodollar rate plus between 1.50% and 2.00% depending on average quarterly undrawn availability. There was \$65,000,000 outstanding balance on the PNC Facility as of December 31, 2017. Future interest rate changes on our borrowing under the PNC Facility may have an impact on our consolidated results of operations.

Interest on the Term Loans is payable at the rate per annum of the Eurodollar Rate (as defined in the Term Loan Facility) plus 7.25% and is generally payable on the earlier of the last day of the interest period applicable to such Eurodollar rate loan and the last day of the Term Loan Facility, as applicable. There was \$105,000,000 outstanding balance on the Term Loan Facility as of December 31, 2017. Future interest rate changes on our borrowing under the Term Loans may have an impact on our consolidated results of operations.

If the loan bearing interest rate changed by 1%, the effect on interest expense would be approximately \$1.65 million as of December 31, 2017.

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.

Item 8. Financial Statements and Supplementary Data

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. 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 previously discussed, the Company acquired ARI on October 10, 2017, resulting in changes in the Company's internal control over financial reporting relating to new controls, which the Company is currently evaluating, as stated below in Management's Report on Internal Control over Financial Reporting. There were no other changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2017 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements and the reliability of financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In accordance with SEC guidance regarding the reporting of internal control over financial reporting in connection with a material acquisition, management may omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year. Accordingly, we have excluded Aspen Refrigerants, Inc. from the scope of management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. The assets and revenues of Aspen Refrigerants, Inc. excluded from management's assessment constituted 40% of total assets as of December 31, 2017 and 11% and -1% of revenues and net income, respectively, for the year ended December 31, 2017. Management did not assess the effectiveness of internal control over financial reporting of Aspen Refrigerants, Inc. because of the timing of the acquisition, which was completed on October 10, 2017.

The Company's Chief Executive Officer and Chief Financial Officer have assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, the Company's Chief Executive Officer and Chief Financial Officer have used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on our assessment, the Company's Chief Executive Officer and Chief Financial Officer believe that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria.

BDO USA, LLP, the independent registered public accounting firm which audits our financial statements, has audited our internal control over financial reporting as of December 31, 2017 and has expressed an unqualified opinion thereon.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors

Hudson Technologies, Inc.

Pearl River, NY

Opinion on Internal Control over Financial Reporting

We have audited Hudson Technologies, Inc. and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 16, 2018 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective

internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As indicated in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Aspen Refrigerants, Inc. which was acquired on October 10, 2017 and which is included in the consolidated balance sheets of the Company and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes. Aspen Refrigerants, Inc. constituted 40% of total assets as of December 31, 2017 and 11% and -1% of revenues and net income, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of Aspen Refrigerants, Inc. because of the timing of the acquisition which was completed on October 10, 2017. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Aspen Refrigerants, Inc.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Stamford, CT

March 16, 2018

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Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the disclosure required by Items 401, 405, 406, and 407(c)(3), (d)(4), and (d)(5) of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to stockholders on or about April 27, 2018, and to be filed with the Securities and Exchange Commission.

Item 11. Executive Compensation

Reference is made to the disclosure required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to stockholders on or about April 27, 2018, and to be filed with the Securities and Exchange Commission.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Reference is made to the disclosure required by Item 403 of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to stockholders on or about April 27, 2018, and to be filed with the Securities Exchange Commission.

Equity Compensation Plan

The following table provides certain information with respect to all of Hudson's equity compensation plans as of December 31, 2017.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,069,440	\$ 4.28	2,259,130

Item 13. Certain Relationships and Related Transactions, and Director Independence

Reference is made to the disclosure required by Items 404 and 407(a) of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to stockholders on or about April 27, 2018, and to be filed with the Securities and Exchange Commission.

Item 14. Principal Accountant Fees and Services

Reference is made to the proposal regarding the approval of the Registrant's independent registered public accounting firm to be contained in the Registrant's definitive proxy statement to be mailed to stockholders on or about April 27, 2018, and to be filed with the Securities and Exchange Commission.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(A)(1) Financial Statements

The consolidated financial statements of Hudson Technologies, Inc. appear after Item 16 of this report

(A)(2) Financial Statement Schedules

None

(A)(3) Exhibits

2.1 Stock Purchase Agreement, dated August 9, 2017, by and among Hudson Technologies, Inc., Hudson Holdings, Inc. and Airgas, Inc. (21)

3.1 Certificate of Incorporation and Amendment. (1)

3.2 Amendment to Certificate of Incorporation, dated July 20, 1994. (1)

3.3 Amendment to Certificate of Incorporation, dated October 26, 1994. (1)

3.4 Certificate of Amendment of the Certificate of Incorporation dated March 16, 1999. (2)

3.5 Certificate of Correction of the Certificate of Amendment dated March 25, 1999. (2)

3.6 Certificate of Amendment of the Certificate of Incorporation dated March 29, 1999. (2)

3.7 Certificate of Amendment of the Certificate of Incorporation dated February 16, 2001. (3)

3.8 Certificate of Amendment of the Certificate of Incorporation dated March 20, 2002. (4)

3.9 Amendment to Certificate of Incorporation dated January 3, 2003. (5)

3.10 Amended and Restated By-Laws adopted July 29, 2011. (11)

3.11 Certificate of Amendment of the Certificate of Incorporation dated September 15, 2015. (16)

10.1 Assignment of patent rights from Kevin J. Zugibe to Registrant. (1)

10.2 2004 Stock Incentive Plan. (8)*

10.3 Commercial Mortgage, dated May 27, 2005, between Hudson Technologies Company and Busey Bank. (6)

10.4 Commercial Installment Mortgage Note, dated May 27, 2005, between Hudson Technologies Company and Busey Bank. (6)

10.5 Amended and Restated Employment Agreement with Kevin J. Zugibe, as amended. (10)*

10.6 Agreement with Brian F. Coleman, as amended. (10)*

10.7 Agreement with Charles F. Harkins, as amended. (10)*

10.8 Agreement with Stephen P. Mandracchia, as amended. (10)*

10.9 2008 Stock Incentive Plan. (9)*

10.10 Form of Incentive Stock Option Agreement under the 2008 Stock Incentive Plan with full vesting upon issuance. (10)*

10.11 Form of Incentive Stock Option Agreement under the 2008 Stock Incentive Plan with options vesting in equal installments over two year period. (10)*

10.12 Form of Non-Incentive Stock Option Agreement under the 2008 Stock Incentive Plan with full vesting upon issuance. (10)*

10.13 Form of Non-Incentive Stock Option Agreement under the 2008 Stock Incentive Plan with options vesting in equal installments over two year period. (10)*

10.14 First Amendment to Amended and Restated Employment Agreement with Kevin J. Zugibe, dated December 30, 2008. (10)*

10.15 Long Term Care Insurance Plan Summary. (12)*

- 10.16 Amendment No. 1 to the Hudson Technologies, Inc. 2008 Stock Incentive Plan adopted October 22, 2013. (13)
*
- 10.17 2014 Stock Incentive Plan (14)*
- 10.18 Form of Incentive Stock Option Agreement under the 2014 Stock Incentive Plan with full vesting upon issuance. (15)*
- 10.19 Form of Incentive Stock Option Agreement under the 2014 Stock Incentive Plan with options vesting in equal installments over two year period. (15)*
- 10.20 Form of Non-Incentive Stock Option Agreement under the 2014 Stock Incentive Plan with full vesting upon issuance. (15)*
- 10.21 Form of Non-Incentive Stock Option Agreement under the 2014 Stock Incentive Plan with options vesting in equal installments over two year period. (15)*
- 10.22 Form of Incentive Barrier Stock Option Agreement under the 2014 Stock Incentive Plan with full vesting upon issuance. (15)*
- 10.23 Form of Non-Incentive Barrier Stock Option Agreement under the 2008 Stock Incentive Plan with full vesting upon issuance. (15)*
- 10.24 Form of Incentive Barrier Stock Option Agreement under the 2008 Stock Incentive Plan with full vesting upon issuance. (15)*
- 10.25 Form of Non-Incentive Barrier Stock Option Agreement under the 2008 Stock Incentive Plan with full vesting upon issuance. (15)*
- 10.26 Second Amended and Restated Employment Agreement with Kevin J. Zugibe. (17)*
- 10.27 Amended and Restated Agreement with Brian Coleman (17)*
- 10.28 Fifth Amendment to Revolving Credit, Term Loan and Security Agreement between Hudson Technologies Company and PNC, dated April 8, 2016. (18)
- 10.29 Second Amended and Restated Revolving Credit Note, dated April 8, 2016 by Hudson Technologies Company as borrower in favor of PNC. (18)
- 10.30 Guarantor's' Ratification, dated April 8, 2016 by the Registrant and Hudson Holdings, Inc. (18)
- 10.31 Agreement, dated September 5, 2016, between Hudson Technologies, Inc. and Nat Krishnumurti. (19)*
- 10.32 Underwriting Agreement among William Blair & Company, L.L.C. and Craig-Hallum Capital Group LLP, for themselves and as representatives of several underwriters, and Hudson Technologies, Inc. dated December 8, 2016. (20)
- 10.33 Amended and Restated Revolving Credit and Security Agreement dated October 10, 2017 with PNC Bank, National Association (22)
- 10.34 Amended and Restated Guaranty and Suretyship Agreement dated October 10, 2017 by Hudson Technologies, Inc. (22)
- 10.35 Term Loan Credit and Security Agreement dated October 10, 2017 with U.S. Bank National Association as Administrative Agent and Collateral Agent for the Term Lenders (22)
- 10.36 Guaranty and Suretyship Agreement dated October 10, 2017 by Hudson Technologies, Inc. (22)
- 10.37 First Amendment to Amended and Restated Revolving Credit and Security Agreement with PNC Bank, National Association (23)
- 14 Code of Business Conduct and Ethics. (7)
- 21 Subsidiaries of the Company. (24)
- 23.1 Consent of BDO USA, LLP. (24)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (24)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (24)
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002. (24)
- 32.2

Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002. (24)

101 Interactive data file pursuant to Rule 405 of Regulation S-T. (24)

- (1) Incorporated by reference to the comparable exhibit filed with the Company's Registration Statement on Form SB-2 (No. 33-80279-NY).
- (2) Incorporated by reference to the comparable exhibit filed with the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1999.
- (3) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000.

- (4) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001.
 - (5) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002.
 - (6) Incorporated by reference to the comparable exhibit filed with the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2005.
 - (7) Incorporated by reference to the comparable exhibit filed with the Company's Current Report on Form 8-K, for the event dated March 3, 2005, and filed May 31, 2005.
 - (8) Incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A filed August 18, 2004 .
 - (9) Incorporated by reference to Appendix I to the Company's Definitive Proxy Statement on Schedule 14A filed July 29, 2008.
 - (10) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2008.
 - (11) Incorporated by reference to the comparable exhibit filed with the Company's Quarterly Report on Form-10-Q for the quarter ended June 30, 2011.
 - (12) Incorporated by reference to the comparable exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.
 - (13) Incorporated by reference to the comparable exhibit filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2013.
 - (14) Incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A filed August 12, 2014 .
 - (15) Incorporated by reference to the comparable exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.
 - (16) Incorporated by reference to the comparable exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.
 - (17) Incorporated by reference to the comparable exhibit filed with the Company Annual Report on form 10-K for the year ended December 31, 2015.
 - (18) Incorporated by reference to the comparable exhibit filed with the Company's Current Report on Form 8-K filed April 14, 2016.
 - (19) Incorporated by reference to the comparable exhibit filed with the Company's Current Report on Form 8-K filed September 9, 2016.
 - (20) Incorporated by reference to the comparable exhibit filed with the Company's Current Report on Form 8-K filed December 9, 2016.
 - (21) Incorporated by reference to the comparable exhibit filed with the Company's Current Report on Form 8-K filed August 9, 2017.
 - (22) Incorporated by reference to the comparable exhibit filed with the Company's Current Report on Form 8-K filed October 11, 2017.
 - (23) Incorporated by reference to the comparable exhibit filed with the Company's Current Report on Form 8-K filed December 7, 2017.
 - (24) Filed herewith
- (*) Denotes Management Compensation Plan, agreement or arrangement.

Item 16. Form 10-K Summary

None.

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Hudson Technologies, Inc.

Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors

Hudson Technologies, Inc.

Pearl River, NY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Hudson Technologies, Inc. (the “Company”) and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”) .. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 16, 2018 expressed an unqualified opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of

material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 1994.

Stamford, CT

March 16, 2018

Hudson Technologies, Inc. and Subsidiaries**Consolidated Balance Sheets**

(Amounts in thousands, except for share and par value amounts)

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$5,002	\$33,931
Trade accounts receivable – net	14,831	4,797
Inventories	172,485	68,601
Income tax receivable	9,664	—
Prepaid expenses and other current assets	6,934	847
Total current assets	208,916	108,176
Property, plant and equipment, less accumulated depreciation	30,461	7,532
Deferred tax asset	—	2,532
Goodwill	49,464	856
Intangible assets, less accumulated amortization	32,419	3,299
Other assets	184	75
Total Assets	\$321,444	\$122,470
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$10,885	\$5,110
Accrued expenses and other current liabilities	15,221	2,888
Accrued payroll	3,052	1,782
Income taxes payable	—	322
Current maturities of long-term debt	1,050	—
Short-term debt	65,152	199
Total current liabilities	95,360	10,301
Deferred tax liability	1,473	-
Long-term debt, less current maturities, net of deferred financing costs	101,158	152
Total Liabilities	197,991	10,453
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	—	—
	424	415

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Common stock, \$0.01 par value; shares authorized 100,000,000; issued and outstanding 42,398,140 and 41,465,820		
Additional paid-in capital	114,302	114,032
Retained earnings (Accumulated deficit)	8,727	(2,430)
Total Stockholders' Equity	123,453	112,017
Total Liabilities and Stockholders' Equity	\$321,444	\$122,470

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries**Consolidated Statements of Operations**

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

	For the years ended December 31,		
	2017	2016	2015
Revenues	\$ 140,380	\$ 105,481	\$ 79,722
Cost of sales	102,396	74,395	61,233
Gross profit	37,984	31,086	18,489
Operating expenses:			
Selling, general and administrative	21,745	11,651	9,796
Amortization	1,107	488	512
Total operating expenses	22,852	12,139	10,308
Operating income	15,132	18,947	8,181
Other income (expense):			
Interest expense	(3,156)	(1,118)	(776)
Other income (expense)	28	(564)	302
Total other income (expense)	(3,128)	(1,682)	(474)
Income before income taxes	12,004	17,265	7,707
Income tax expense	847	6,628	2,944
Net income	\$ 11,157	\$ 10,637	\$ 4,763
Net income per common share – Basic	\$0.27	\$0.31	\$0.15
Net income per common share – Diluted	\$0.26	\$0.30	\$0.14
Weighted average number of shares outstanding – Basic	41,764,230	34,104,476	32,546,840
Weighted average number of shares outstanding – Diluted	42,766,843	35,416,910	33,936,099

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries**Consolidated Statements of Stockholders' Equity**

(Amounts in thousands, except for share amounts)

	Common Stock		Additional	Retained	
	Shares	Amount	Paid-in	Earnings	
			Capital	(Accumulated	
				Deficit)	Total
Balance at January 1, 2015	32,312,276	\$ 323	\$ 61,505	\$ (17,829)	\$43,999
Issuance of common stock upon exercise of stock options and warrants	482,506	5	455	—	460
Issuance of common stock for services	9,835	—	30	—	30
Value of share-based arrangements	—	—	173	—	173
Net income	—	—	—	4,763	4,763
Balance at December 31, 2015	32,804,617	\$ 328	\$ 62,163	\$ (13,066)	\$49,425
Sale of common stock	7,392,856	74	48,282	—	48,356
Issuance of common stock upon exercise of stock options and warrants	1,251,199	13	2,691	—	2,704
Excess tax benefits from exercise of stock options	—	—	189	—	189
Issuance of common stock for services	17,148	—	105	—	105
Value of share-based arrangements	—	—	601	—	601
Net income	—	—	—	10,637	10,637
Balance at December 31, 2016	41,465,820	\$ 415	\$ 114,032	\$ (2,430)	\$112,017
Issuance of common stock upon exercise of stock options and warrants	1,207,729	12	795	—	807
Tax withholdings related to net share settlements of stock option awards	(281,645)	(3)	(2,023)	—	(2,026)
Issuance of common stock for services	6,236	—	47	—	47

Value of share-based arrangements	—	—	1,451	—	1,451
Net income	—	—	—	11,157	11,157
Balance at December 31, 2017	42,398,140	\$ 424	\$ 114,302	\$ 8,727	\$ 123,453

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries**Consolidated Statements of Cash Flows**

(Amounts in thousands)

	For the years ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 11,157	\$ 10,637	\$ 4,763
Adjustments to reconcile net income to cash provided (used) in operating activities:			
Depreciation	2,272	1,737	1,560
Amortization of intangible assets	1,107	488	512
Amortization of step-up of basis in inventories	833	—	—
Allowance for doubtful accounts	136	21	99
Amortization of deferred finance cost	218	154	75
Value of share-based payment arrangements	1,498	706	203
Excess tax benefits from stock option exercise	—	(189)	—
Deferred tax expense	4,005	1,080	2,768
Other non cash (income) expenses	—	564	(302)
Changes in assets and liabilities (net of acquisitions):			
Trade accounts receivable	4,498	(404)	(545)
Inventories	(840)	(6,704)	(23,430)
Prepaid and other assets	(3,039)	523	(465)
Income taxes payable	(9,986)	562	—
Accounts payable and accrued expenses	6,026	173	4,259
Other liabilities	481	—	—
Cash provided (used) in operating activities	18,366	9,348	(10,503)
Cash flows from investing activities:			
Payments for acquisitions	(208,969)	—	(2,424)
Additions to patents	—	—	(12)
Additions to property, plant and equipment	(1,022)	(1,733)	(889)
Cash used in investing activities	(209,991)	(1,733)	(3,325)
Cash flows from financing activities:			
Net proceeds from issuances of common stock	807	51,060	460
Tax payment withholdings related to settlements of stock option awards	(2,026)	—	—
Excess tax benefits from stock-based compensation	—	189	—
Payment of deferred financing costs	(5,385)	—	—
(Repayments of) borrowing from short-term debt – net	65,000	(20,227)	14,172
Proceeds from long-term debt	105,000	61	292
Repayment of long-term debt	(172)	(4,349)	(328)

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Payment of deferred acquisition cost	(528)	(1,676)	(445)
Cash provided by financing activities	162,696	25,058	14,151
Increase (decrease) in cash and cash equivalents	(28,929)	32,673	323
Cash and cash equivalents at beginning of period	33,931	1,258	935
Cash and cash equivalents at end of period	\$ 5,002	\$ 33,931	\$ 1,258
Supplemental disclosure of cash flow information:			
Cash paid during period for interest	\$ 2,028	\$ 964	\$ 701
Cash paid for income taxes	\$ 6,829	\$ 4,985	\$ —
Non cash investing activity:			
Deferred acquisition cost	\$ —	\$ —	\$ 1,982

See Accompanying Notes to the Consolidated Financial Statements

Hudson Technologies, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Business

Hudson Technologies, Inc., incorporated under the laws of New York on January 11, 1991, is a refrigerant services company providing innovative solutions to recurring problems within the refrigeration industry. 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, consisting of system decontamination to remove moisture, oils and other contaminants. 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 subsidiaries, Hudson Technologies Company and Aspen Refrigerants, Inc., which was formerly known as Airgas-Refrigerants, Inc. prior to the recent acquisition described below. Unless the context requires otherwise, references to the "Company", "Hudson", "we", "us", "our", or similar pronouns refer to Hudson Technologies, Inc. and its subsidiaries.

On October 10, 2017, the Company and its wholly-owned subsidiary, Hudson Holdings, Inc. ("Holdings") completed the acquisition (the "Acquisition") from Airgas, Inc. ("Airgas") of all of the outstanding stock of Airgas-Refrigerants, Inc., a Delaware corporation ("ARI"), and effective October 11, 2017, ARI's name was changed to Aspen Refrigerants, Inc. At closing, Holdings paid net cash consideration to Airgas of approximately \$209 million, which includes preliminary post-closing adjustments relating to: (i) changes in the net working capital of ARI as of the closing relative to a net working capital target, (ii) the actual amount of specified types of R-22 refrigerant inventory on hand at closing relative to a target amount thereof, and (iii) other consideration pursuant to the stock purchase agreement.

The cash consideration paid by Holdings at closing was financed with available cash balances, plus \$80 million of borrowings under an enhanced asset-based lending facility of \$150 million from PNC Bank and a new term loan of \$105 million from funds advised by FS Investments and sub-advised by GSO Capital Partners LP.

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.

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.

Consolidation

The consolidated financial statements represent all companies of which Hudson directly or indirectly has majority ownership or otherwise controls. Significant intercompany accounts and transactions have been eliminated. The Company's consolidated financial statements include the accounts of wholly-owned subsidiaries Hudson Holdings, Inc., Hudson Technologies Company and Aspen Refrigerants, Inc. 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 trade accounts receivable and accounts payable approximate fair value at December 31, 2017 and December 31, 2016, 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 December 31, 2017 and December 31, 2016. Please see Note 2 for further details on fair value description and hierarchy of the Company’s deferred acquisition cost.

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 year ended December 31, 2017, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 33% of the Company's revenues. At December 31, 2017, there were \$2.7 million of outstanding receivables from these customers.

For the year ended December 31, 2016, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 30% of the Company's revenues. At December 31, 2016, there were no outstanding receivables from these customers.

For the year ended December 31, 2015, two customers each accounted for 10% or more of the Company's revenues and, in the aggregate these two customers accounted for 33% of the Company's revenues. At December 31, 2015, there were no outstanding receivables from these customers.

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.

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 market 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.

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). Goodwill is subject to an annual (or under certain circumstances more frequent) impairment test based on its estimated fair value. Other intangible assets that meet certain criteria are amortized over their estimated useful lives.

Beginning in 2017, the Company adopted, on a prospective basis, ASU No. 2017-04, which simplified the method used to perform the annual, or interim, goodwill impairment testing. The Company performed the annual goodwill impairment assessment using a qualitative approach to determine whether it is more likely than not that the fair value of goodwill is less than its carrying value. In performing the qualitative assessment, the Company identified and considered the significance of relevant key factors, events, and circumstances that affect the fair value of its goodwill. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. If the results of the qualitative assessment conclude that it is not more likely than not that the fair value of goodwill exceeds its carrying value, additional quantitative impairment testing is performed.

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. There were no impairment losses recognized in any of the three years ended December 31, 2017, 2016 or 2015.

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. 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 was assumed as part of the ARI acquisition and the balance was \$9.8 million at December 31, 2017.

Revenues and Cost of Sales

Revenues are recorded upon completion of the service or the shipment of the product. The Company evaluates each sale to ensure collectability. In addition, each sale is based on an arrangement with the customer and the sales price to the customer is fixed. In July 2016 the Company was awarded, as prime contractor, a five-year contract, including a five-year renewal option, by the United States Defense Logistics Agency (“DLA”) for the management, supply, and sale of refrigerants, compressed gases, cylinders and related terms. Due to the contract containing multiple elements, the Company assessed the arrangement in accordance with Accounting Standards Codification (“ASC”) 605-25, *Revenue Recognition: Multiple-Element Arrangements*. ASC 605-25 addresses when and how a company that is providing more than one revenue generating activity or deliverable should separate and account for a multiple element arrangement. The Company determined that the sale of refrigerants and the management services provided under the contract each have stand-alone value, and accordingly revenue related to the sale of product is recognized at the time of product shipment, and service revenue is recognized on a straight-line basis over the term of the arrangement. Annual service revenue under the contract is approximately \$2.4 million.

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. 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.

The Company's revenues are derived from Product and related sales and RefrigerantSide® Services revenues. The revenues for each of these lines are as follows:

Years Ended December 31,	2017	2016	2015
(in thousands)			
Product and related sales	\$ 136,016	\$ 101,344	\$ 75,154
RefrigerantSide® Services	4,364	4,137	4,568
Total	\$ 140,380	\$ 105,481	\$ 79,722

Income Taxes

The Company is taxed at statutory corporate income tax rates after adjusting income reported for financial statement purposes for certain items. The 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 a result of a prior year "change in control", as defined by the Internal Revenue Service, the Company's ability to utilize its existing NOLs is subject to certain annual limitations. To the extent that the Company utilizes its NOLs, it will not pay tax on such income. However, to the extent that the Company's net income, if any, exceeds the annual NOL limitation, it will pay income taxes based on the then existing statutory rates. In addition, certain states either do not allow or limit NOLs and as such the Company will be liable for certain state taxes.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act ("2017 Tax Act"), which lowered the federal statutory income tax rate from, generally, 35% to 21% for tax years beginning after December 31, 2017. As a result of the enactment of the 2017 Tax Act, the Company recorded a benefit of approximately \$1.4 million during the fourth quarter of 2017 to reflect the net impact of lower future federal income tax rates on the NOLs and the other cumulative differences in financial reporting and tax bases assets and liabilities, which were, primarily, fixed assets and accumulated depreciation.

As a result of an Internal Revenue Service audit, the 2013 and prior federal tax years have been closed. The Company operates in many states throughout the United States and, as of December 31, 2017, the various states' statutes of limitations remain open for tax years subsequent to 2010. The Company recognizes interest and penalties, if any, relating to income taxes as a component of the provision for income taxes.

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 December 31, 2017 and 2016, the Company had no uncertain tax positions.

Income per Common and Equivalent Shares

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

	Years ended December 31,		
	2017	2016	2015
Net income	\$11,157	\$10,637	\$4,763
Weighted average number of shares - basic	41,764,230	34,104,476	32,546,840
Shares underlying warrants	—	—	300,846
Shares underlying options	1,002,613	1,312,434	1,088,413
Weighted average number of shares outstanding – diluted	42,766,843	35,416,910	33,936,099

During the years ended December 31, 2017, 2016 and 2015, certain options and warrants aggregating none, 73,034 and 106,290 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, and valuation allowance for the deferred tax assets relating to its NOLs and commitments and contingencies. With respect to 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. In determining the Company's valuation allowance for its deferred tax assets, the Company assesses its ability to generate taxable income in the future.

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 hydrochlorofluorocarbon ("HCFC") and hydrofluorocarbon ("HFC") refrigerants and reclaimable, primarily HCFC, HFC and chlorofluorocarbon ("CFC"), refrigerants from suppliers and its customers. Effective January 1, 1996, the Clean Air Act (the "Act") prohibited the production of virgin CFC refrigerants and limited the production of virgin HCFC refrigerants. Effective January 2004, the Act further limited the production of virgin HCFC refrigerants and federal regulations were enacted which established production and consumption allowances for HCFC refrigerants which imposed limitations on the importation of certain virgin HCFC refrigerants. Under the Act, production of certain virgin HCFC refrigerants is scheduled to be phased out during the period 2010 through 2020, and production of all virgin HCFC refrigerants is scheduled to be phased out by 2030. In October 2014, the EPA published a final rule providing further reductions in the production and consumption allowances for virgin HCFC refrigerants for the years 2015 through 2019 (the "Final Rule"). In the Final Rule, the EPA established a linear draw down for the production or importation of virgin HCFC-22 that started at approximately 22 million pounds in 2015 and was reduced by approximately 4.5 million pounds each year ending at zero in 2020.

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 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 January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" (ASU 2017-04), which simplifies the accounting for goodwill impairment by eliminating Step 2 of the current goodwill impairment test that requires a hypothetical purchase price allocation to measure goodwill impairment. Under the new standard, a company will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 does not change the guidance on completing Step 1 of the goodwill impairment test and still allows a company to perform the optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. The standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019 with early adoption permitted for any impairment test performed on testing dates after January 1, 2017. The Company adopted this standard on January 1, 2017 and has applied its guidance in its impairment assessments.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This ASU addresses eight specific cash flow issues with the objective of eliminating the existing diversity in practice. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2017, and for interim periods therein, with early adoption permitted. We elected to early adopt ASU 2016-15 as of December 31, 2016, and the adoption did not have a material impact on the presentation of the statement of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses." This ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and for interim periods therein. The Company does not expect the amended standard to have a material impact on the Company's results of operations.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." This guidance involves several aspects of accounting for employee share-based payments including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The Company adopted this ASU on a prospective basis on January 1, 2017. Excess tax benefits and deficiencies are recognized in the consolidated statement of earnings rather than capital in excess of par value of stock. Excess tax benefits within the consolidated statement of cash flows are presented as an operating activity. The impact of the adoption on the Company's income tax expense or benefit and related cash flows during and after the period of adoption are dependent in part upon grants and vesting of stock-based compensation awards and other factors that are not fully controllable or predicable by the Company, such as the future market price of the Company's common stock, the timing of employee exercises of vested stock options, and the future achievement of performance criteria that affect performance-based awards. The Company adopted this ASU at the beginning of 2017 and during 2017, the impact of this standard reduced the Company's income tax expense and increased net income by approximately \$2.4 million.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. At a minimum, adoption of ASU 2016-02 will require recording a ROU asset and a lease liability on the Company's consolidated balance sheet; however, the Company is still currently evaluating the impact on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected. For public business entities, the amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company elected to early adopt ASU 2015-17 prospectively in the fourth quarter of 2016. As a result, all deferred tax assets and liabilities have been presented as noncurrent on the consolidated balance sheet as of December 31, 2016. There was no impact on its results of operations as a result of the adoption of ASU 2015-17.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", or ASU 2015-16. This amendment requires the acquirer in a business combination to recognize in the reporting period in which adjustment amounts are determined, any adjustments to provisional amounts that are identified during the measurement period, calculated as if the accounting had been completed at the acquisition date. Prior to the issuance of ASU 2015-16, an acquirer was required to restate prior period financial statements as of the acquisition date for adjustments to provisional amounts. The amendments in ASU 2015-16 are to be applied prospectively upon adoption. The Company adopted ASU 2015-16 in the fourth quarter of 2016. The adoption of the provisions of ASU 2015-16 did not have a material impact on its results of operations or financial position.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 340): Simplifying the Measurement of Inventory." Under ASU 2015-11, companies utilizing the first-in, first-out or average cost method should measure inventory at the lower of cost or net realizable value, whereas net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective for interim and annual reporting periods beginning after December 15, 2016. The adoption of ASU 2015-11 did not have a material impact on the Company's results of operations or financial position.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." The new revenue recognition standard provides a five-step analysis to determine when and how revenue is recognized. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new, expanded disclosures related to the entity's revenue streams, performance obligations and significant judgments made in applying the standard. This ASU is effective for annual periods beginning after December 15, 2017 and should be applied retrospectively to each reporting period presented or using a modified retrospective application with the cumulative effect recognized at the date of initial application. The Company will adopt this standard on January 1, 2018 using the modified retrospective method. The Company has substantially completed its assessment of its revenue practices. Based on the evaluation performed to date, the Company has concluded that the adoption of this standard will have no impact on our financial position, results of operations or cash flows and will not have a significant impact on our internal controls over financial reporting. The Company is still assessing the impact the adoption of the standard will have on the newly required disclosures, which will be finalized during the first quarter of 2018.

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.

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.

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. The valuation methodologies used for the Company's financial instruments measured on a recurring basis at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, is set forth in the tables below.

(in thousands)	As of December 31, 2017		Fair Value Measurements		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Deferred acquisition cost	\$ 0	\$ 0			\$ 0

(in thousands)	As of December 31, 2016		Fair Value Measurements		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Deferred acquisition cost	\$ 789	\$ 789			\$ 789

The following is a rollforward of deferred acquisition costs in 2016 and 2017.

(in thousands)	Acquisition of Polar	2015 Acquisition	Total Deferred Acquisition Cost Payable
Balance at January 1, 2016	\$ 667	\$ 1,235	\$ 1,902
Payments	(667	) (1,010	) (1,677)
Total adjustments included in earnings	—	564	564
Balance at December, 31, 2016	\$ —	\$ 789	\$ 789
Payments	—	(789	) (789)
Total adjustments included in earnings	—	—	—
Balance at December 31, 2017	\$ —	\$ —	\$ —

See Note 12 for determination of fair value relative to acquisitions.

Note 3 - Trade accounts receivable – net

At December 31, 2017, 2016, and 2015 trade accounts receivable are net of reserves for doubtful accounts of \$0.7 million, \$0.4 million and \$0.3 million, respectively. The following table represents the activity occurring in the reserves for doubtful accounts in 2017, 2016 and 2015.

(in thousands)	Beginning Balance at January 1	Net additions charged to Operations	Deductions and Other	Ending Balance at December 31
2017	\$ 365	\$ 136	\$ 221	\$ 722
2016	\$ 335	\$ 21	\$ 9	\$ 365
2015	\$ 244	\$ 99	\$ (8)	\$ 335

Note 4- Inventories

Inventories, net of reserve, consist of the following:

December 31 , (in thousands)	2017	2016
Refrigerant and cylinders	\$22,322	\$11,168
Packaged refrigerants	150,163	57,433
Total	\$172,485	\$68,601

Note 5 - Property, plant and equipment

Elements of property, plant and equipment are as follows:

December 31 ,	2017	2016	Estimated Lives
(in thousands)			
Property, plant and equipment			
- Land	\$1,255	\$535	
- Land improvements	319	—	6-10 years
- Buildings	1,446	830	25-39 years
- Building improvements	3,045	873	25-39 years
- Cylinders	13,390	—	15-30 years
- Equipment	23,524	13,423	3-10 years
- Equipment under capital lease	315	248	5-7 years
- Vehicles	1,612	1,360	3-5 years
- Lab and computer equipment, software	3,056	2,652	2-8 years
- Furniture & fixtures	656	289	5-10 years
- Leasehold improvements	711	119	3-5 years
- Equipment under construction	385	1,654	
Subtotal	49,714	21,983	
Accumulated depreciation	19,253	14,451	
Total	\$30,461	\$7,532	

Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was \$ 2.3 million, \$1.7 million, and \$1.6 million, respectively, of which \$2.0 million, \$1.7 million, and \$1.5 million, respectively, were included as cost of sales in the Company's Consolidated Statements of Operations.

Note 6 - Income taxes

Income tax expense for the years ended December 31, 2017, 2016 and 2015 was \$0.8 million, \$6.6 million and \$2.9 million, respectively. The income tax expense for each of the years ended December 31, 2017, 2016 and 2015 was for federal and state income tax at statutory rates applied to the adjusted pre-tax income for each of the periods.

The following summarizes the (benefit) / provision for income taxes:

Years Ended December 31,	2017	2016	2015
(in thousands)			
Current:			
Federal	\$(3,690)	\$4,981	\$174
State and local	532	567	2
	(3,158)	5,548	176
Deferred:			
Federal	4,293	949	2,460
State and local	(288)	131	308
	4,005	1,080	2,768
Expense for income taxes	\$847	\$6,628	\$2,944

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

Years ended December 31,	2017	2016	2015
Income tax rates			
- Statutory U.S. federal rate	35 %	35 %	34 %
- State income taxes, net of federal benefit	4 %	3 %	4 %
- Excess tax benefits related to stock compensation	(20)%	—	—
- Effect of 2017 Tax Act	(12)%	—	—
Total	7 %	38 %	38 %

As of December 31, 2017, the Company had NOLs of approximately \$5.4 million expiring through 2024, \$4.1 million of which are subject to annual limitations of approximately \$1.3 million. As of December 31, 2017, the company had state tax NOLs of approximately \$2.6 million expiring in various years.

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. The net deferred income tax assets (liabilities) consisted of the following at:

December 31, (in thousands)	2017	2016
- Depreciation & amortization	\$(3,665)	\$(236)
- Reserves for doubtful accounts	115	139
- Inventory reserve	218	304
- Non qualified stock options	409	247
- Net operating losses	1,450	2,078
Total	\$(1,473)	\$2,532

The Company considered its projected future taxable income, and associated annual limitations, in determining the amount of deferred tax assets to recognize. The Company believes that given the extended time period that it may recognize its deferred tax assets, it is more likely than not it will realize the benefit of these assets prior to their expiration.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (“2017 Tax Act”), which lowered the federal statutory income tax rate from, generally, 35% to 21% for tax years beginning after December 31, 2017. As a result of the enactment of the 2017 Tax Act, the Company recorded a benefit of approximately \$1.4 million during the fourth quarter of 2017 to reflect the net impact of lower future federal income tax rates on the NOLs and the other cumulative differences in financial reporting and tax bases assets and liabilities, which were, primarily, fixed assets and accumulated depreciation.

As a result of an Internal Revenue Service audit, the 2013 and prior federal tax years have been closed. The Company operates in many states throughout the United States and, as of December 31, 2017, the various states’ statutes of limitations remain open for tax years subsequent to 2010. The Company recognizes interest and penalties, if any, relating to income taxes as a component of the provision for income taxes.

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 December 31, 2017 and 2016, the Company had no uncertain tax positions.

Note 7 – 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. The Company performed the annual goodwill impairment assessment using a qualitative approach to determine whether it is more likely than not that the fair value of goodwill is less than its carrying value. In performing the qualitative assessment, we identify and consider the significance of relevant key factors, events, and circumstances that affect the fair value of our goodwill. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as our actual and planned financial performance. If the results of the qualitative assessment conclude that it is not more likely than not that the fair value of goodwill exceeds its carrying value, additional quantitative impairment testing is performed.

Based on the results of the impairment assessments of goodwill and intangible assets performed, we concluded that it is more likely than not that the fair value of our goodwill significantly exceeds the carrying value and that there are no impairment indicators related to intangible assets.

At December 31, 2017 the Company had \$49.5 million of goodwill, of which \$48.6 million is attributable to the acquisition of Airgas-Refrigerants, Inc. on October 10, 2017 and \$0.4 million is attributable to the acquisition of Polar Technologies, LLC and \$0.4 million is attributable to the acquisition of a supplier of refrigerants and compressed gases.

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

December 31, (in thousands)	Amortization Period (in years)	2017			2016		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible Assets with determinable lives							
Patents	5	\$386	\$ 374	\$12	\$386	\$ 366	\$20
Covenant Not to Compete	6 – 10	1,270	475	795	1,270	322	948
Customer Relationships	3 – 12	31,660	1,288	30,372	2,000	452	1,548
Above Market Leases	13	567	10	557	—	—	—
Trade Name	2	30	30	—	30	30	—
Licenses	10	1,000	317	683	1,000	217	783
Totals identifiable intangible assets		\$34,913	\$ 2,494	\$32,419	\$4,686	\$ 1,387	\$3,299

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. No impairments were recognized for the years ended December 31, 2017, 2016 and 2015.

The amortization of intangible assets for the years ended December 31, 2017, 2016, and 2015 were \$1.1 million, \$0.5 million and \$0.5 million respectively. Future estimated amortization expense is as follows: 2018 - \$3.0 million, 2019 - \$3.0 million, 2020 - \$3.0 million, 2021 - \$3.0 million, 2022- \$3.0 million and thereafter - \$17.4 million.

Note 8 - Short-term and long-term debt

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

December 31 , (in thousands)	2017	2016
Short-term & long-term debt		
Short-term debt:		
- Revolving credit line and other debt	\$65,152	\$—
- Long-term debt: current	1,050	199
Subtotal	66,202	199
Long-term debt:		
- Term Loan Facility	103,950	—
- Vehicle and equipment loans	39	36
- Capital lease obligations	20	116
- Less: deferred financing costs on term loan	(2,851)	—
Subtotal	101,158	152
Total short-term & long-term debt ⁽¹⁾	\$167,360	\$351

⁽¹⁾ Long-term debt is net of deferred financing costs.

Bank Credit Line

On June 22, 2012, Hudson Technologies Company (“HTC”), an indirect subsidiary of the Company, entered into a Revolving Credit, Term Loan and Security Agreement (the “Original PNC Facility”) with PNC Bank, National Association, as agent (“Agent” or “PNC”), and such other lenders as may thereafter become a party to the Original PNC Facility. Between June 2012 and April 2016, the Company entered into six amendments to the Original PNC Facility. Under the terms of the Original PNC Facility, as amended, the Maximum Loan Amount (as defined in the Original PNC Facility) was \$40,000,000 to \$50,000,000, and the Maximum Revolving Advance Amount (as defined in the Original PNC Facility) was \$46,000,000. In addition, there was a \$130,000 outstanding letter of credit under the PNC Facility at December 31, 2016. The Termination Date of the Original PNC Facility (as defined in the Original PNC Facility) was June 30, 2020.

On October 10, 2017, HTC and HTC’s affiliates Hudson Holdings, Inc. (“Holdings”) and Airgas-Refrigerants, Inc., as borrowers (collectively, the “Borrowers”), and the Company as a guarantor, became obligated under an Amended and

Restated Revolving Credit and Security Agreement (the “PNC Facility”) with PNC Bank, National Association, as administrative agent, collateral agent and lender (“Agent” or “PNC”), PNC Capital Markets LLC as lead arranger and sole bookrunner, and such other lenders as may thereafter become a party to the PNC Facility. The PNC Facility amended and restated the Original PNC Facility.

Under the terms of the PNC Facility, the Borrowers may borrow, from time to time, up to \$150 million at any time consisting of revolving loans in a maximum amount up to the lesser of \$150 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 PNC Facility. The PNC Facility also contains a sublimit of \$15 million for swing line loans and \$5 million for letters of credit.

Amounts borrowed under the PNC Facility were used by the Borrowers to consummate the acquisition of Airgas-Refrigerants, Inc. (“ARI”) and for working capital needs, certain permitted future acquisitions, and to reimburse drawings under letters of credit. At December 31, 2017, total borrowings under the PNC Facility were \$65 million, and total availability was \$64.3 million. In addition, there was a \$130,000 outstanding letter of credit at December 31, 2017.

Interest on loans under the PNC Facility is payable in arrears on the first day of each month with respect to loans bearing interest at the domestic rate (as set forth in the PNC Facility) and at the end of each interest period with respect to loans bearing interest at the Eurodollar rate (as set forth in the PNC Facility) or, for Eurodollar rate loans with an interest period in excess of three months, at the earlier of (a) each three months from the commencement of such Eurodollar rate loan or (b) the end of the interest period. Interest charges with respect to loans are computed on the actual principal amount of loans outstanding during the month at a rate per annum equal to (A) with respect to domestic rate loans, the sum of (i) a rate per annum equal to the higher of (1) the base commercial lending rate of PNC, (2) the federal funds open rate plus 0.5% and (3) the daily LIBOR plus 1.0%, plus (ii) between 0.50% and 1.00% depending on average quarterly undrawn availability and (B) with respect to Eurodollar rate loans, the sum of the Eurodollar rate plus between 1.50% and 2.00% depending on average quarterly undrawn availability.

Borrowers and the Company granted to the Agent, for the benefit of the 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 PNC Facility contains a fixed charge coverage ratio covenant. The PNC 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 commitments under the PNC 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 October 10, 2022, unless the commitments are terminated and the outstanding principal amount of the loans are accelerated sooner following an event of default.

In connection with the closing of the PNC Facility, the Company also entered into an Amended and Restated Guaranty and Suretyship Agreement, dated as of October 10, 2017 (the "Revolver Guarantee"), pursuant to which the Company affirmed its unconditional guarantee of the payment and performance of all obligations owing by Borrowers to PNC, as Agent for the benefit of the revolving lenders.

New Term Loan Facility

On October 10, 2017, HTC, Holdings, and ARI, as borrowers, and the Company, as guarantor, became obligated under a Term Loan Credit and Security Agreement (the "Term Loan Facility") with U.S. Bank National Association, as administrative agent and collateral agent ("Term Loan Agent") and funds advised by FS Investments and sub-advised by GSO Capital Partners LP and such other lenders as may thereafter become a party to the Term Loan Facility (the "Term Loan Lenders").

Under the terms of the Term Loan Facility, the Borrowers have immediately borrowed \$105 million pursuant to a term loan (the "Initial Term Loan") and may borrow up to an additional \$25 million for a period of eighteen months after closing to fund additional permitted acquisitions (the "Delayed Draw Commitment", and together with the Initial Term Loan, the "Term Loans").

The Term Loans mature on October 10, 2023. Principal payments on the Term Loans are required on a quarterly basis, commencing with the quarter ending March 31, 2018, in the amount of 1% of the original principal amount of the outstanding Term Loans per annum. The Term Loan Facility also requires annual payments of up to 50% of Excess Cash Flow (as defined in the Term Loan Facility) depending upon the Company's Total Leverage Ratio (as defined in the Term Loan Facility) for the applicable year. The Term Loan Facility also requires mandatory prepayments of the Term Loans in the event of certain asset dispositions, debt issuances, and casualty and

condemnation events. The Term Loans may be prepaid at the option of the Borrowers at par in an amount up to \$30 million. Additional prepayments are permitted after the first anniversary of the closing date subject to a prepayment premium of 3% in year two, 1% in year three and zero in year four and thereafter.

Interest on the Term Loans is generally payable on the earlier of the last day of the interest period applicable to such Eurodollar rate loan and the last day of the Term Loan Facility, as applicable. Interest is payable at the rate per annum of the Eurodollar Rate (as defined in the Term Loan Facility) plus 7.25%. The Borrowers have the option of paying 3.00% interest per annum in kind by adding such amount to the principal of the Term Loans during no more than five fiscal quarters during the term of the Term Loan Facility.

Borrowers and the Company granted to 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 total leverage ratio covenant, tested quarterly. The Term Loan Facility also contains customary non-financial covenants relating to the Company and the Borrowers, including limitations on their 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 Suretyship Agreement, dated as of October 10, 2017 (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").

The Company was in compliance with all covenants, under the PNC Facility and the Term Loan Facility as of December 31, 2017. 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. Although we expect to remain in compliance with all covenants in the PNC Facility and the Term Loan Facility depending on our future operating performance and general economic conditions, we cannot make any assurance that we will continue to be in compliance.

Building and Land Mortgage

On June 1, 2012, the Company entered into a mortgage note with Busey Bank for \$855,000. The mortgage note was secured by the Company's land and building located in Champaign, Illinois. The mortgage note bore interest at the fixed rate of 4% per annum, amortizing over 60 months and matured on June 1, 2017. On June 1, 2017, the Company paid to Busey Bank the sum of \$15,815 in full and final satisfaction of mortgage and mortgage note. At December 31, 2017 the principal balance of this mortgage note was \$0.

Vehicle and Equipment Loans

The Company has entered into various vehicle and equipment loans. These loans are payable in 60 monthly payments through March 2020 and bear interest ranging from 0.0% to 6.7%.

Capital Lease Obligations

The Company rents certain equipment with a net book value of approximately \$0.2 million at December 31, 2017 under leases which have been classified as capital leases. Scheduled future minimum lease payments under capital leases, net of interest, are as follows:

Years ended December 31,	Amount
(in thousands)	
-2018	\$ 82
-2019	31
-2020	6
-2021	3
-2022	0
Subtotal	122
Less interest expense	(6)
Total	\$ 116

Scheduled maturities of the Company's long-term debt and capital lease obligations are as follows:

Years ended December 31, (in thousands)	Amount
-2018	\$ 1,148
-2019	1,097
-2020	1,059
-2021	1,053
-2022	1,050
Thereafter	99,750
Total	\$ 105,157

Note 9 - Stockholders' equity

On July 7, 2010, the Company sold 2,737,500 units, with the aggregate units consisting of 2,737,500 shares of the Company's common stock and warrants to purchase 1,368,750 shares, at a price of \$2.00 per unit in a registered direct offering (the "2010 Offering"). The warrants issued as part of the 2010 Offering had an exercise price of \$2.60 per share and were exercisable for a five-year period, which commenced on January 7, 2011. The net proceeds pursuant to the 2010 Offering were approximately \$4.9 million. The value of the aggregate number of warrants issued pursuant to the 2010 Offering was approximately \$1.3 million and such amount was charged as a component of stockholders' equity to additional paid-in capital.

Effective as of March 4, 2011, the Company re-purchased warrants to purchase 150,000 shares of the Company's common stock, at a price of \$0.60 per share, which warrants were issued in connection with the 2010 Offering.

On March 7, 2011, the remaining 1,218,750 warrants issued in connection with the 2010 Offering were amended upon consent of the holders of more than two-thirds of the remaining warrants, to among other things, extend the expiration date of the warrants to July 7, 2016.

Between January 2016 and July 2016, 1,161,252 warrants issued in connection with the 2010 Offering were exercised at \$2.60 per share. In July 2016, 7,498 warrants issued in connection with the 2010 Offering expired.

On December 8, 2016 the Company entered into an Underwriting Agreement with two investment banking firms for themselves and as representatives for two other investment banking firms (collectively, the “Underwriters”), in connection with an underwritten offering (the “Offering”) of 6,428,571 shares of the Company’s common stock, par value \$0.01 per share (the “Firm Shares”). Pursuant to the Underwriting Agreement, the Company agreed to sell to the Underwriters, and the Underwriters agreed to purchase from the Company, an aggregate of 6,428,571 shares of common stock and also granted the Underwriters a 30 day option to purchase up to 964,285 additional shares of its common stock to cover over-allotments, if any. The Company also agreed to reimburse certain expenses incurred by the Underwriters in the Offering.

The closing of the Offering was held on December 14, 2016, at which time the Company sold 7,392,856 shares of its common stock to the Underwriters (including 964,285 shares to cover over-allotments) at a price to the public of \$7.00 per share, less underwriting discounts and commissions, and received gross proceeds of \$51.7 million. The Company incurred approximately \$3.3 million of transaction fees in connection with the Offering, resulting in net proceeds of \$48.4 million.

Note 10 - Commitments and contingencies

Rents and operating leases

Hudson utilizes leased facilities and operates equipment under non-cancelable operating leases through July 2030. Below is a table of key properties :

Properties

Location	Annual Rent	Lease Expiration Date
Auburn, Washington	\$39,000	8/2018
Baton Rouge, Louisiana	\$23,000	5/2019
Catano, Puerto Rico	\$124,000	12/2020
Champaign, Illinois	\$504,000	12/2018
Charlotte, North Carolina	\$26,000	5/2019
Escondido, California	\$36,000	Month to Month
Hampstead, New Hampshire	\$52,000	8/2022
Nashville, Tennessee	\$173,000	3/2018
Long Beach, California	\$26,400	2/2020
Long Island City, New York	\$782,000	7/2018
Ontario, California	\$90,000	12/2018
Pearl River, New York	\$150,000	12/2021
Pottsboro, Texas	\$6,000	8/2017
Riverside, California	\$27,000	Month to Month
Smyrna, Georgia	\$446,000	7/2030
Stony Point, New York	\$90,000	6/2021
Tulsa, Oklahoma	\$27,000	12/2017

The Company rents properties and various equipment under operating leases. Rent expense for the years ended December 31, 2017, 2016 and 2015 totaled approximately \$1.7 million, \$1.4 million, and \$1.2 million, respectively. In addition to the properties above, the Company does at times utilize public warehouse space on a month to month basis. The Company typically enters into short-term leases for the facilities and wherever possible extends the expiration date of such leases.

Future commitments under operating leases are summarized as follows:

Years ended December 31, (in thousands)	Amount
-2018	\$2,374
-2019	1,183
-2020	1,155
-2021	958
-2022	655
Thereafter	3,943
Total	\$ 10,268

Legal Proceedings

On April 1, 1999, the Company reported a release of approximately 7,800 lbs. of R-11 refrigerant (the “1999 Release”), at its former leased facility in Hillburn, NY (the “Hillburn Facility”), which the Company vacated in June 2006.

Since September 2000, last modified in March 2013, the Company signed an Order on Consent with the New York State Department of Environmental Conservation (“DEC”) whereby the Company agreed to operate a remediation system to reduce R-11 refrigerant levels in the groundwater under and around the Hillburn Facility and agreed to perform periodic testing at the Hillburn Facility until remaining groundwater contamination has been effectively abated. The Company accrued, as an expense in its consolidated financial statements, the costs that the Company believes it will incur in connection with its compliance with the Order of Consent through December 31, 2018. There can be no assurance that additional testing will not be required or that the Company will not incur additional costs and such costs in excess of the Company’s estimate may have a material adverse effect on the Company financial condition or results of operations. The Company has exhausted all insurance proceeds available for the 1999 Release under all applicable policies.

In May 2000, the Hillburn Facility as a result of the 1999 Release, was nominated by EPA for listing on the National Priorities List (“NPL”) pursuant to CERCLA. In September 2003, the EPA advised the Company that it had no current

plans to finalize the process for listing of the Hillburn Facility on the NPL.

During the years ended December 31, 2017, 2016 and 2015 the Company incurred no additional remediation costs in connection with the matters above. The remaining liability on our Balance Sheet as of December 31, 2017 is approximately \$90,000. There can be no assurance that the ultimate outcome of the 1999 Release will not have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that the EPA will not change its current plans and seek to finalize the process of listing the Hillburn Facility on the NPL, or that the ultimate outcome of such a listing will not have a material adverse effect on the Company's financial condition and results of operations.

Note 11 - 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 years ended December 31, 2017, 2016 and 2015, the share-based compensation expense of \$1.5 million, \$0.6 million and \$0.2 million, respectively, is reflected in general and administrative expenses in the consolidated Statements of Operations.

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 December 31, 2017, the Plans authorized the issuance of stock options to purchase 6,000,000 shares of the Company's common stock and, as of December 31, 2017 there were 2,259,130 shares of the Company's common stock available 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.

During the years ended December 31, 2017, 2016 and 2015, the Company issued options to purchase 1,400,203 shares, 1,170,534 shares, and 164,506 shares, respectively. During the years ended December 31, 2017, 2016 and 2015, the Company issued stock grants of 6,236 shares, 17,148 shares, and 9,835 shares, respectively.

Effective September 10, 2004, the Company adopted its 2004 Stock Incentive Plan ("2004 Plan") pursuant to which 2,500,000 shares of common stock were reserved for issuance (i) upon the exercise of options, designated as either incentive stock options ("ISOs") under the Internal Revenue Code of 1986, as amended (the "Code") or nonqualified options, or (ii) as stock, deferred stock or other stock-based awards. ISOs could be granted under the 2004 Plan to employees and officers of the Company. Non-qualified options, stock, deferred stock or other stock-based awards could be granted to consultants, directors (whether or not they are employees), employees or officers of the Company. Stock appreciation rights could also be issued in tandem with stock options. Effective September 10, 2014, the Company's ability to grant options or other awards under the 2004 Plan expired.

Effective August 27, 2008, the Company adopted its 2008 Stock Incentive Plan ("2008 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 2008 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 2008 Plan is sooner terminated, the ability to grant options or other awards under the 2008 Plan will expire on August 27, 2018.

ISOs granted under the 2008 Plan may not be granted at a price less than the fair market value of the common stock on the date of grant (or 110% of fair market value in the case of persons holding 10% or more of the voting stock of the Company). Nonqualified options granted under the 2008 Plan may not be granted at a price less than the fair market value of the common stock. Options granted under the 2008 Plan expire not more than ten years from the date of grant (five years in the case of ISOs granted to persons holding 10% or more of the voting stock of the Company).

Effective 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.

ISOs granted under the 2014 Plan may not be granted at a price less than the fair market value of the common stock on the date of grant (or 110% of fair market value in the case of persons holding 10% or more of the voting stock of the Company). Nonqualified options granted under the 2014 Plan may not be granted at a price less than the fair market value of the common stock. Options granted under the 2014 Plan expire not more than ten years from the date of grant (five years in the case of ISOs granted to persons holding 10% or more of the voting stock of the Company).

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

The Company determines the fair value of share based awards at the grant date by using the Black-Scholes option-pricing model, and is incorporating the simplified method to compute expected lives of share based awards with the following weighted-average assumptions:

Years ended December 31, Assumptions	2017	2016	2015
Dividend yield	0 %	0 %	0 %
Risk free interest rate	1.97%-2.08 %	0.0%-1.0 %	0.83%-1.03 %
Expected volatility	44%-46 %	47%-53 %	49%-60 %
Expected lives	3 years	3 years	3 years

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

Stock Option Plan Totals	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2014	3,280,874	\$ 1.98
-Cancelled	(132,500)	\$ 3.72
-Exercised	(679,291)	\$ 1.65
-Granted	164,506	\$ 3.28
Outstanding at December 31, 2015	2,633,589	\$ 2.06
-Exercised	(589,725)	\$ 2.43
-Granted	1,170,534	\$ 3.95
Outstanding at December 31, 2016	3,214,398	\$ 2.68
-Exercised	(1,545,161)	\$ 2.27
-Granted	1,400,203	\$ 5.72
Outstanding at December 31, 2017	3,069,440	\$ 4.28

The following is the weighted average contractual life in years and the weighted average exercise price at December 31, 2017 and 2016 of:

	Number of Options	Weighted Average Contractual Life Remaining	Weighted Average Exercise Price
2017			
Options outstanding	3,069,440	2.4 years	\$ 4.28
Options vested	1,308,203	3.0 years	\$ 3.94
Options unvested	92,000	0.9 years	\$ 5.76

	Number of	Weighted Average Remaining	Weighted Average
2016	Options	Contractual Life	Exercise Price
Options outstanding	3,214,398	2.0 years	\$ 2.68
Options vested	1,191,368	3.0 years	\$ 3.94

The intrinsic values of options outstanding at December 31, 2017 and 2016 are \$5.5 million and \$17.1 million respectively.

The intrinsic value of options unvested at December 31, 2017 and 2016 are approximately \$0 for both periods.

The intrinsic values of options vested and exercised during the years ended 2017, 2016 and 2015 were as follows :

	2017	2016	2015
Intrinsic value of options vested	\$462,369	\$4,843,774	\$5,000
Intrinsic value of options exercised	\$8,025,527	\$1,777,476	\$1,309,000

Note 12 - Acquisitions

2015 Acquisition

On January 16, 2015, the Company acquired certain assets of a supplier of refrigerants and compressed gases, and also hired three employees associated with the business. The purchase price for this acquisition was \$2.4 million cash paid at closing, the assumption of a liability of \$20,000, and a maximum additional \$3.0 million earn-out. The asset allocation was approximately \$1.6 million of tangible assets, approximately \$1.6 million of intangible assets, and approximately \$2.3 million of goodwill.

As of December 31, 2015, the valuation and allocation of the purchase price for this acquisition was finalized. As part of that process, it was determined that the deferred acquisition cost payable that had been previously recorded at the maximum earn out of \$3.0 million per the purchase agreement was overstated by approximately \$1.0 million. This adjustment to the deferred acquisition cost payable resulted in lowering the purchase price from approximately \$5.4 million to approximately \$4.4 million. The final valuation resulted in a reduction of goodwill by approximately \$1.9 million, an increase in intangible assets of approximately \$0.8 million, and an increase in current assets of approximately \$0.1 million. This final valuation, as well as the respective changes in the amortization of intangibles, was reflected in the December 31, 2015 financial statements. Please see the table in Note 2 for a roll forward of the deferred acquisition cost. The final earnout payment was made during the first quarter of 2017.

The intangible assets are being amortized over a period ranging from two to ten years. The goodwill recognized as part of the acquisition will be deductible for tax purposes. The transaction also provides for additional employee compensation for years 2017 through 2019, based on certain revenue performance. The total additional employee compensation, if any, cannot exceed \$3,000,000.

The results of the acquired business operations are included in the Company's Consolidated Statements of Operations from the date of acquisition, and are not material to the Company's financial position or results of operations.

ARI Acquisition

On October 10, 2017, the Company completed the Acquisition of ARI.

At closing, the Company paid net cash consideration of approximately \$209 million, which included preliminary post-closing adjustments relating to: (i) changes in the net working capital of ARI as of the closing relative to a net working capital target, (ii) the actual amount of specified types of R-22 refrigerant inventory on hand at closing relative to a target amount thereof, and (iii) other consideration pursuant to the Stock Purchase Agreement.

Due to the timing of the ARI acquisition, which closed during the fourth quarter of 2017, our estimates of fair values of the assets that we acquired and the liabilities that we assumed are based on information that was available as of the acquisition date of ARI and are preliminary. We are continuing to evaluate the underlying inputs and assumptions used in our valuations, particularly with respect to certain aspects of the acquired inventory and property and equipment. In addition, in accordance with the stock purchase agreement the purchase price remains subject to further working capital adjustment. Accordingly, these preliminary estimates are subject to change during the measurement period, which is the period subsequent to the acquisition date during which the acquiror may adjust the provisional amounts recognized for a business combination, not to exceed one year from the acquisition date.

The following table summarizes the fair values of the assets acquired and liabilities assumed from the ARI acquisition:

	Amortization life	Fair value
	(in months)	(in thousands)
Accounts receivable		\$ 14,668
Other assets		734
Inventories		103,876
Property and equipment		24,179
Customer relationships	144	29,660
Above-market leases	153	567
Goodwill		48,609
Total assets acquired		\$ 222,293
Accounts payable and accrued expenses		\$ 3,210
Other current liabilities		10,114
Total liabilities assumed		\$ 13,324
Total purchase price		\$ 208,969

The fair values of the acquired intangibles were determined using discounted cash flow models using a discount factor based on an estimated risk-adjusted weighted average cost of capital. The customer relationships were valued using the multi-period excess-earnings method, a form of the income approach. The above-market leases were valued using the differential cash flow method of the income approach.

The acquisition resulted in the recognition of \$48.6 million of goodwill, which will be deductible for tax purposes. Goodwill largely consists of expected growth in revenue from new customer acquisitions over time.

The cash consideration paid by the Company at closing was financed with available cash balances, plus \$80 million of borrowings under the PNC Facility and a new term loan of \$105 million from the Term Loan Facility.

The following table provides unaudited pro forma total revenues and results of operations for the 12 months ended December 31, 2017 and 2016 as if ARI had been acquired on January 1, 2016. The unaudited pro forma results reflect certain adjustments related to the acquisitions, such as a step-up in basis in inventory, amortization expense on intangible assets arising from the acquisition, and interest on the acquisition financing. The pro forma results do not include any anticipated cost synergies or other effects of any planned integration. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed at the beginning of 2016, nor are they indicative of the future operating results of the combined companies.

	12 Months Ended	
	December 31,	
(unaudited, in thousands, except per share amounts)	2017	2016
Revenues	\$255,701	\$239,626
Net income	\$23,405	\$17,109
Net income per share:		
Basic	\$0.56	\$0.50
Diluted	\$0.55	\$0.48

The unaudited pro forma earnings for the 12 months ended December 31, 2017 were also adjusted to exclude \$6.3 million of acquisition-related expenses incurred in 2017. Also included in the operating results for the year ended December 31, 2017 are \$14.8 million of revenue from ARI and \$1.5 million in pretax losses since the acquisition date, which includes the amortization of newly acquired intangible assets and amortization of step-up in the basis of inventories.

Note 13- Quarterly Financial Data (Unaudited)

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.

(in thousands, except share and per share data)	For the Year Ended 2017				
	Q1	Q2	Q3	Q4 (b)	Total (a)

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Revenues	\$38,830	\$52,231	\$24,706	\$24,613	\$140,380
Gross profit	\$12,467	\$17,420	\$5,070	\$3,027	\$37,984
Operating expenses	\$3,074	\$3,520	\$3,594	\$12,664	\$22,852
Operating income (loss)	\$9,393	\$13,900	\$1,476	\$(9,637)	\$15,132
Other (expense)	\$(85)	\$(61)	\$(24)	\$(2,958)	\$(3,128)
Income (loss) before income taxes	\$9,308	\$13,839	\$1,452	\$(12,595)	\$12,004
Income tax expense (benefit)	\$3,574	\$5,314	\$(652)	\$(7,389)	\$847
Net income (loss)	\$5,734	\$8,525	\$2,104	\$(5,206)	\$11,157
Net income (loss) per common share – Basic (a)	\$0.14	\$0.21	\$ 0.05	\$(0.12)	\$0.27
Net income (loss) per common share – Diluted (a)	\$0.13	\$0.20	\$ 0.05	\$(0.12)	\$0.26
Weighted average number of shares outstanding – Basic	41,507,941	41,567,848	41,869,528	42,216,987	41,764,230
Weighted average number of shares outstanding – Diluted	43,503,889	43,550,226	43,463,982	42,216,987	42,766,843

(a) The sum of the net earnings per share may not add up to the full year amount due to rounding and because the quarterly calculations are based on varying numbers of shares outstanding.

(b) As discussed previously, the fourth quarter 2017 results include the results of ARI subsequent to the acquisition on October 10, 2017.

	For the Year Ended 2016				
	Q1	Q2	Q3	Q4	Total (a)
Revenues	\$28,167	\$34,605	\$34,930	\$7,779	\$105,481
Gross profit	\$7,522	\$10,491	\$12,040	\$1,033	\$31,086
Operating expenses	\$2,503	\$2,347	\$4,022	\$3,267	\$12,139
Operating income (loss)	\$5,019	\$8,144	\$8,018	\$(2,234)	) \$18,947
Other Income (expense)	\$(271)	) \$(352)	) \$(296)	) \$(763)	) \$(1,682)
Income (loss) before income taxes	\$4,748	\$7,792	\$7,722	\$(2,997)	) \$17,265
Income tax expense (benefit)	\$1,804	\$2,962	\$2,933	\$(1,071)	) \$6,628
Net income (loss)	\$2,944	\$4,830	\$4,789	\$(1,926)	) \$10,637
Net income (loss) per common share – Basic	\$0.09	\$0.15	\$0.14	\$(0.05)	) \$0.31
Net income (loss) per common share – Diluted	\$0.09	\$0.14	\$0.14	\$(0.05)	) \$0.30
Weighted average number of shares outstanding – Basic	32,888,659	33,128,518	33,873,479	36,527,250	34,104,476
Weighted average number of shares outstanding – Diluted	33,944,876	34,270,337	35,297,585	36,527,250	35,416,910

(a) The sum of the net earnings per share may not add up to the full year amount due to rounding and because the quarterly calculations are based on varying numbers of shares outstanding.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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/ Kevin J. Zugibe
 Kevin J. Zugibe, Chairman and Chief Executive Officer

Date: March 16, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevin J. Zugibe Kevin J. Zugibe	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 16, 2018
/s/ Nat Krishnamurti Nat Krishnamurti	Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2018
/s/ Vincent P. Abbatecola Vincent P. Abbatecola	Director	March 16, 2018
/s/ Brian F. Coleman Brian F. Coleman	Director and President and Chief Operating Officer	March 16, 2018
/s/ Dominic J. Monetta Dominic J. Monetta	Director	March 16, 2018
/s/ Otto C. Morch Otto C. Morch	Director	

Otto C. Morch		March 16, 2018
/s/ Richard Parrillo	Director	March 16, 2018
Richard Parrillo		
/s/ Eric A. Prouty	Director	March 16, 2018
Eric A. Prouty		