

Risk Factors Comparison 2024-03-14 to 2023-03-14 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

There are many important factors, including those discussed below (and above as described under “**Business**- 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. Risks Related to Business Strategy and ~~Operations~~ **Operations** Our existing and future debt obligations could impair our liquidity and financial condition. Our existing credit ~~facilities~~ **facility**, consisting of an asset-based lending facility of up to \$ ~~90-75~~ million from Wells Fargo Bank, National Association (“Wells Fargo Bank”) and other lenders, ~~is and a term loan with a principal balance of approximately \$ 32 million from funds advised by TCW Asset Management Company, LLC, are secured by substantially all of our assets and the asset-based lending facility~~ contains formulas that limit the amount of our future borrowings under that facility. Moreover, the terms of our credit ~~facilities~~ **facility** also ~~include~~ **includes** financial and 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. Our revenues, results of operations and cash flows could be materially and adversely affected by changes in commodity prices. Our revenues, results of operations and cash flows are affected by market prices for refrigerant gases. Commodity prices generally are affected by a wide range of factors beyond our control, including weather, seasonality, the availability and adequacy of supply, government regulation and policies and general political and economic conditions. We are exposed to fluctuating commodity prices as the result of our inventory of various refrigerant gases. At any time, our inventory levels may be substantial. We have processes in place to monitor exposures to these risks and engage in strategies to manage these risks. If these controls and strategies are not successful in mitigating our exposure to these fluctuations, we could be materially and adversely affected. 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. 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 led by Wells Fargo Bank that expires in March 2027 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. ~~Our~~ **Our** business is impacted by customer concentration. In July 2016, we were awarded, as prime contractor, a five-year contract, including a five-year renewal option (which has been exercised), 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. Our contract with DLA expires in July 2026. For the years ended December 31, **2023**, 2022 and 2021, the DLA accounted for **18 %**, 8 % and 10 % of our revenues. The loss of DLA as a customer could have a material adverse effect on our financial position and results of operations. ~~Our~~ **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. ~~Our business has been impacted by the COVID-19 pandemic. The public health crisis caused by the COVID-19 pandemic and the measures being taken by governments, businesses, including us, and the public at large to limit COVID-19's spread may have certain negative impacts on our business including, without limitation, the following:~~ • Although we have not experienced this during 2022, future potential disruptions in supply chains may place constraints on our ability to source refrigerants, which may increase our processing costs. • Governmental authorities in the United States and throughout the world may continue to increase or impose new income taxes or indirect taxes, or revise interpretations of existing tax rules and regulations, as a means of financing the costs of stimulus and other measures enacted or taken, or that may be enacted or taken in the future, to protect populations and economies from the impact of the COVID-19 pandemic. Such actions could have an adverse effect on our results of operations and cash flows. • As a result of the COVID-19 pandemic, including related governmental guidance or directives, we have required most office-based employees to work remotely on a hybrid basis, i. e. part-time office and part-time away from the office. We may experience reductions in productivity and disruptions to our business routines while our remote work policy remains in place. • Attempting to comply with rapidly evolving and conflicting legal requirements regarding vaccination and / or mandatory testing of our workforce. • Actions we have taken or may take, or decisions we have made or may make, as a consequence of the COVID-19 pandemic may result in legal claims or litigation against us. Any of the negative impacts of the COVID-19 pandemic, including those described above, alone or in combination with others, may have a material adverse effect on our results of operations, financial condition and cash flows. The full extent to which the COVID-19 pandemic will negatively affect our results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any further actions taken by governmental authorities and other third parties in response to the pandemic.

~~11Risks~~ -- **Risks** Related to Regulatory and Environmental Matters 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~~ **11A** 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, the AIM Act, and any legislation and regulation enacted to implement the amendment, ~~could impose~~ **imposes** 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. 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 HFC 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. ~~12Issues~~ -- **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 % by 2047, with the first reductions by developed countries in 2019. The amendment became effective January 1, 2019. In December 2020, **AIM Act** legislation was enacted in the United States that **will require requires** the phasedown of virgin production of HFCs.

Risks Related to Our Common Stock and Other General RisksAs 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. 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. **12. Our management has significant control over our affairs. Currently, our officers and directors collectively beneficially own approximately 8. 8 % 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.** 13