HUDSON TECHNOLOGIES INC /NY
Form SB-2
May 09, 2003

As Filed with the Securities and Exchange Commission on May 9, 2003.

Registration No. 333-

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

FORM SB-2

REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

HUDSON TECHNOLOGIES, INC.
(Name of Small Business Issuer in Its Charter)

New York	5080	13-3641539
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

275 North Middletown Road
Pearl River, New York 10965
(845) 735-6000
(Address and Telephone Number of Principal Executive Offices)
(Address of Principal Place of Business or
Intended Principal Place of Business)

Kevin J. Zugibe
Chairman and Chief Executive Officer
Hudson Technologies, Inc.
275 North Middletown Road
Pearl River, New York 10965
(845) 735-6000
(Name, Address and Telephone Number of Agent for Service)

Copies of Communications to:

Robert J. Mittman, Esq.
Ethan Seer, Esq.
Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Telephone: (212) 885-5000
Telecopier: (212) 885-5001

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after this registration statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_| _______

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_| _______

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_| _______

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. |_|

Title of each class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)
common stock, par value $.01 per share	$5,000,000	$404.50

(1) Estimated and calculated pursuant to Rule 457(o), solely for the purpose of computing the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 9, 2003

PROSPECTUS

_________ Shares

HUDSON TECHNOLOGIES INC.

COMMON STOCK

We are distributing, together with this prospectus, at no charge, non-transferable subscription rights to purchase shares of our common stock to persons who own our common stock as of the close of business on _________, 2003, the record date. These are called basic subscription rights. You will not be entitled to receive any of these rights unless you are a stockholder of Hudson at that time. You will receive __ subscription right(s) for every ___ share(s) of our common stock that you own on the record date. Each subscription right will entitle you to purchase ___ shares of our common stock at the subscription price of $_____ per share. Rights may not be exercised for less than 1,000 shares of our common stock. The shares in the rights offering are being offered directly by us without the services of an underwriter or selling agent.

The subscription rights are exercisable beginning on the date of this prospectus and will expire at 5:00 P.M. Eastern Time, on ________, 2003. We, at our sole discretion, may extend the period for exercising the rights. Rights which are not exercised by the expiration date will expire and will have no value. Your exercise of the rights may not be revoked unless the expiration date is extended for more than thirty days or there is a material change in the terms of the rights offering. You should carefully consider whether or not to exercise your rights before the expiration date.

If you timely exercise all of your basic subscription rights, you will be entitled to exercise over-subscription privileges to purchase additional shares of our common stock at the same subscription price. The over-subscription privilege will expire concurrently with the expiration of the basic subscription rights. Shares for which subscription rights have not been exercised prior to the expiration date of the rights offering will first be offered to members of the public at the subscription price. Shares offered but not purchased by holders of subscription rights or by members of the public may be used to satisfy our obligations under our outstanding 10% subordinated convertible notes, which we refer to throughout this prospectus as the "Convertible Notes," held by certain of our officers, and family members of our officers and directors and certain principal stockholders.

There is no minimum number of shares which must be sold in the offering and we intend to close on sales of shares with respect to subscriptions we accept on a continuous basis without holding subscriptions in escrow until the offering is completed.

The subscription rights may not be sold, transferred or assigned, and will not be listed for trading on any stock exchange.

Our common stock trades on the NASDAQ SmallCap Market under the symbol HDSN. On May 8, 2003, the closing sale price of our common stock as reported by NASDAQ was $2.05.

Investing in our common stock is speculative and involves a high degree of risk. See "Risk Factors" beginning on page 8.

	Subscription Price	Discounts and Commissions	Net Proceeds
Per Share	$	$	$
Total	$	$	$

The above table assumes that we may utilize the services of NASD member firms for sales made to members of the public and that we may pay them commissions not to exceed $_____ per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____________, 2003

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this prospectus. Each prospective investor is urged to read this prospectus in its entirety. References in this prospectus, to "Hudson", "we", "us" and "our" refer to Hudson Technologies Inc. and its subsidiaries.

Description of Business

Hudson Technologies, Inc., incorporated under the laws of New York on January 11, 1991, together with its subsidiaries, is a refrigerant services company providing innovative solutions to recurring problems within the refrigeration industry. Hudson's products and services are primarily used in commercial air conditioning, industrial processing and refrigeration systems, including (i) refrigerant sales, (ii) RefrigerantSide(R) Services performed at a customer's site, consisting of system decontamination to remove moisture, oils and other contaminants and (iii) reclamation of refrigerants. Hudson operates through its wholly owned subsidiary Hudson Technologies Company.

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

Description of Offering

The shares of our common stock being offered under this prospectus are initially being offered to our stockholders of record as of ______, 2003 to whom we are distributing, at no charge, subscription rights which are each exercisable to purchase ___ share(s) of our common stock at a subscription price of $ ____ per share. Stockholders who exercise all of their basic subscription rights prior to ____, 2003 will have an over-subscription privilege to subscribe for additional shares of our common stock also until ______, 2003. This is referred to in this prospectus as the rights offering. To the extent shares offered hereby are not subscribed for by the stockholders in the rights offering we will offer those shares to members of the public at the subscription price for a period ending on ___, 2003. Thereafter, any shares that remain unsold may be acquired by the holders of our Convertible Notes, at their election, by the reduction of the principal amount and, if applicable, accrued and unpaid interest of their respective Convertible Notes in an amount equal to the number of shares subscribed for multiplied by the subscription price. The term "offering" as used in this prospectus includes the rights offering and the subsequent offer of remaining shares to members of the public and holders of Convertible Notes.

Questions and Answers About the Rights Offering

What is a rights offering?

A rights offering is an opportunity for you to purchase additional shares of our common stock at a fixed price and in an amount at least proportional to your existing interest.

What is a subscription right?

We are distributing to you, at no charge, _________ subscription right(s) for every _____ shares of our common stock that you owned as a holder of record on _________, 2003. We will not distribute any fractional subscription rights, but will round the number of subscription rights you receive up to the next largest whole number. Each whole subscription right entitles you to purchase ___ share(s) of our common stock for $___ per share. When you "exercise" a subscription right that means that you choose to purchase the number of shares of common stock that the subscription right entitles you to purchase. You may exercise any number of your subscription rights subject to the requirement that rights may not be exercised for less than 1,000 shares of our common stock, or you may choose not to exercise any subscription rights. You cannot give away, transfer or sell your subscription rights, except by operation of law or through involuntary transfers. Consequently, except in very limited circumstances, only you will be able to exercise your subscription rights. See "About the Rights Offering-The Subscription Rights."

What is the basic subscription privilege?

The basic subscription privilege of each whole subscription right entitles you to purchase ___ share(s) of our common stock at a subscription price of $___. See "About the Rights Offering-Basic Subscription Privilege."

What is the over-subscription privilege?

We do not expect that all of our stockholders will exercise all of their basic subscription privileges. By extending over-subscription privileges to our stockholders, we are providing for the purchase of those shares that are not purchased through exercise of basic subscription privileges. The over-subscription privilege of each subscription right entitles you, if and when you fully exercise your basic subscription privilege, to subscribe for additional shares of common stock at the subscription price. See "About the Rights Offering-Over-Subscription Privilege."

What are the limitations on the over-subscription privilege?

If sufficient shares are available in the rights offering, we will honor all over-subscription requests in full. If over-subscription requests exceed the number of shares available, we will allocate the available shares among stockholders who over-subscribed in proportion to the number of shares purchased by those over-subscribing stockholders through the exercise of their basic subscription privilege.

Will shares not sold as part of the rights offering be offered to other investors?

Yes. Any shares not sold as part of the rights offering will be offered by us to members of the public at the subscription price. If any of the shares being offered to the public remain unsold, the holders of our Convertible Notes can then elect to purchase shares in this offering at the subscription price through a reduction of the amount of principal and, if applicable any accrued and unpaid interest under the Convertible Notes. The Convertible Notes will otherwise automatically convert on completion of this offering into restricted shares of common stock at prices ranging from the lesser of the subscription price or: (i) $.79 per share with respect to up to $655,000 principal amount of Convertible Notes, together with accrued and unpaid interest; (ii) $1.41 per share with respect to up to $500,000 principal amount of Convertible Notes, together with accrued and unpaid interest; and (iii) $1.13 per share, with respect to up to $495,000 principal amount of Convertible Notes, together with accrued and unpaid interest. These Convertible Notes are held by certain of our officers, family members of our officers and directors and two of our principal stockholders, Fleming US Discovery Fund III, L.P. and Fleming US Discovery Offshore Fund III, L.P., which are referred to collectively in this prospectus as the "Flemings Funds". Moreover, the Flemings Funds have agreed that if the gross proceeds from the shares sold by us for cash in the offering to our stockholders and other investors (other than Flemings) together with the amount of principal and accrued interest due on the outstanding $1,650,000 principal amount of Convertible Notes that will be converted to common stock in connection with this offering is less than $2,575,000, the Flemings Funds will purchase from the shares being offered to the public that number of shares (not to exceed $ ________) necessary for us to reach the $2,575,000 level. See "About the Rights Offering - Sale of Shares Not Purchased Upon Exercise of Rights."

Why are we engaging in a rights offering?

We are making this offering with the intention of raising up to approximately $5,000,000 of gross proceeds. After payment of expenses and any fees or commissions of this offering, we intend to use the net cash proceeds of the offering for (i) sales and marketing support of our service business, (ii) infrastructure support for our refrigerant sales business, and (iii) working capital and general corporate purposes. See "Use of Proceeds." We want to give our stockholders the opportunity to participate in our equity offering so that they will have the ability to maintain their proportional ownership interest in us.

What is the Board of Directors recommendation regarding the rights offering?

Our Board of Directors is not making any recommendation as to whether or not you should exercise your subscription rights. You should make your decision based on your own assessment of your best interests.

How many shares may I purchase?

You will receive _________ subscription rights for each ____ share(s) of common stock that you owned on ___________, 2003. We will not distribute fractional subscription rights, but will round the number of subscription rights you

are to receive up to the next largest whole number. Each whole subscription right entitles you to purchase ___ share(s) of common stock for $___. See "About the Rights Offering-Basic Subscription Privilege." If you exercise all of the subscription rights that you receive, you may have the opportunity to purchase additional shares of common stock. In your subscription agreement, you may request to purchase as many additional shares as you wish for $___ per share. See "Our Subscription Privilege". Subject to compliance with applicable state securities laws, we intend to honor all of these over-subscription requests. However, you may not be able to purchase as many shares as you requested in your over-subscription request if a sufficient number of shares are not available after fulfillment of the basic subscription rights. We have the discretion to issue less than the total number of shares that may be available for over-subscription requests in order to comply with state securities laws. In the event that, as a result of the exercise of basic and over-subscription rights by our stockholders, the rights offering is over-subscribed, we will reduce the number of shares that may be purchased by each subscribing stockholder under the over-subscription privilege on a pro rata basis in proportion to the number of shares purchased by each subscribing stockholder through the exercise of their basic subscription rights. See "About the Rights Offering-Over-Subscription Privilege."

If I owned less than 1,000 shares on the record date, can I still exercise my subscription rights in the rights offering?

Yes, provided that you exercise all of your basic subscription rights and exercise at least enough over-subscription rights to reach the minimum subscription of 1,000 shares. Therefore, subscriptions of stockholders who owned less than 1,000 shares of our common stock on the record date and only exercise their basic subscription rights will not be accepted by Hudson in connection with this offering.

Moreover, stockholders who owned less than 1,000 shares on the record date should note that even if you supplement your basic subscription exercise with an over-subscription exercise in order to meet the 1,000 share minimum threshold, in the event that the rights offering is over subscribed we will be required to reduce the number of shares subscribed for on a proportionate basis, thereby potentially reducing the number of shares for which you have subscribed below the 1,000 share minimum threshold. In this case, we would not accept your subscription in connection with this offering.

How did we arrive at the $_____ per share subscription price?

Members of our Board of Directors, other than the Board designee of the Flemings Funds, set all of the terms and conditions of the rights offering, including the subscription price. The $____ subscription price was based on the strategic alternatives available to us for raising capital, the limited trading volume in our common stock, the market price of our common stock before and after the announcement of the rights offering, our business prospects and general conditions in the securities markets. See "Determination of Offering Price."

How do I exercise my subscription rights?

You must properly complete the appropriate subscription agreement and it must be received by Hudson before 5:00 P.M. Eastern Time on _________, 2003, which is referred to throughout this prospectus as the "Expiration Date." The address for Hudson is on page 1 of this prospectus. See "About the Rights Offering-Exercise of Subscription Rights."

How do I pay for my shares?

Your subscription agreement must be accompanied by proper payment for each share that you wish to purchase pursuant to both your basic and over-subscription privileges. See "About the Rights Offering-Method of Payment."

How long will the rights offering last?

You will be able to exercise your subscription rights only during a limited period. If we do not receive your properly executed subscription agreement and payment for the shares being purchased before 5:00 P.M. Eastern time on the Expiration Date the subscription rights will expire. We may, in our discretion, decide to extend the rights offering. See "About the Rights

Offering-Expiration Date."

What if my shares are not held in my name?

If you hold your shares of our common stock in the name of a broker, dealer or other nominee, then your broker, dealer or other nominee is the record holder of the shares you own. The record holder must exercise the subscription rights on

your behalf for the shares of common stock you wish to purchase. Therefore, you will need to have your record holder act for you.

If you are not the record holder of your shares and you wish to participate in this rights offering and purchase shares of our common stock, please promptly contact the record holder of your shares. We will ask your broker, dealer or other nominee to notify you of this rights offering. You should complete and return to your record holder the form entitled "Beneficial Owner Election Form." You should receive this form from your record holder with the other rights offering materials. See "About the Rights Offering-Shares Held for Others."

After I exercise my subscription rights, can I change my mind and cancel my purchase?

No. Once you send in your subscription agreement and payment you cannot revoke the exercise of your subscription rights, even if you later learn information about us that you consider to be unfavorable and even if the market price of our common stock is below the $___ per share purchase price. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our common stock at a price of $___ per share. See "About the Rights Offering-No Revocation."

Is exercising my subscription rights risky?

The exercise of your subscription rights involves significant risks. Exercising your subscription rights means buying additional shares of our common stock and should be considered as carefully as you would consider any other equity investment. Among other things, you should carefully consider the risks described under the heading "Risk Factors," beginning on page 8.

Must I exercise any subscription rights?

No. You are not required to exercise your subscription rights or take any other action.

What happens if I choose not to exercise my subscription rights?

You will retain your current number of shares of our common stock even if you do not exercise your subscription rights. However, if other stockholders exercise their subscription rights and you do not, the percentage of Hudson that you own will diminish, and your voting and other rights will be diluted in excess of the dilution that will result from the conversion of the Convertible Notes upon the completion of this offering. See "Risk Factors-Risk Factors Relating to the Offering of Subscription Rights-Your Percentage Ownership of Hudson may be Diluted."

Can I sell or give away my subscription rights?

No.

What are the Federal Income Tax consequences of exercising my subscription rights?

The receipt and exercise of your subscription rights are intended to be nontaxable events. You should seek specific tax advice from your personal tax advisor. See "Federal Income Tax Considerations-Taxation of Stockholders."

When will I receive my new shares?

If you purchase shares of common stock through the rights offering, you will receive certificates or your account will be credited by an amount representing those shares as soon as practicable after the Expiration Date.

Can the Board of Directors cancel the rights offering?

Yes. The Board of Directors may decide to cancel the rights offering at any time, on or before _________, 2003, for any reason. See "About the Rights Offering-Cancellation Right."

How much money will Hudson receive from the rights offering?

If we sell all the shares being offered for cash, we will receive gross proceeds of approximately $5,000,000. If shares being offered are not sold for cash they may be used to satisfy our obligations to repay all or a portion of the $1,650,000 principal amount as well as accrued and unpaid interest of our outstanding Convertible Notes. Under certain circumstances, two of our principal stockholders, the Flemings Funds, have indicated their intention to purchase up to $_______ of the shares that are not subscribed for in the rights offering by other stockholders, by the public or acquired in this offering by holders of our outstanding Convertible Notes. See "About the Rights Offering-Sale of Shares Not Purchased Upon Exercise of Rights."

How will we use the proceeds from the rights offering?

We intend to use the cash proceeds for (i) sales and marketing support of our service business, (ii) infrastructure support for our refrigerant sales business, and (iii) working capital and general corporate purposes. See "Use of Proceeds."

How many shares will be outstanding after the rights offering?

Although we cannot at this time determine the number of shares of common stock that will be outstanding after the rights offering and after sales to the public and in satisfaction of outstanding Convertible Notes, if we sell all of the shares registered for sale in this offering then we will issue approximately ________ shares of common stock. In that case, we will have approximately __________ shares of common stock outstanding after the offering without giving effect to the shares of our common stock issuable upon conversion of the _____ shares of outstanding Series A Preferred Stock. Although the conversion price of the Series A Preferred Stock is currently $2.375, in accordance with applicable anti-dilution provisions, the conversion price of the Series A Preferred Stock will be adjusted downward to a conversion price equal to the lesser of the subscription price and $.79, which is the lowest conversion rate of our Convertible Notes. If all of the Series A Preferred Stock were converted into our common shares at the $ _____ subscription price, we would have an additional ________ shares of common stock outstanding.

What if I have more questions?

If you have more questions about the rights offering, please contact our President Brian F. Coleman, at 275 North Middletown Road, Pearl River, New York 10965, or by telephone at (845) 735-6000.

SUMMARY FINANCIAL DATA

The following table presents summary historical financial data. We have derived the audited summary financial data as of and for the two-year period ended December 31, 2002 from our audited consolidated financial statements and notes thereto included elsewhere in this prospectus. The following selected financial data are qualified in their entirety by reference to, and you should read the information contained in this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our audited consolidated financial statements and the notes to those consolidated financial statements contained elsewhere in this prospectus.

	Year Ended December 31,	
	2002	2001
	(In thousands except share and per share amounts)	
Revenues	$ 19,963	$ 20,768
Operating expenses	7,911	8,017
Net loss	(2,522)	(2,399)
Available for common shares	(3,318)	(3,122)
Net loss per common share	(0.64)	(0.61)
Weighted average number of shares outstanding	5,162,228	5,103,733

Balance Sheet Data:

	December 31, 2002
Cash and cash equivalents	$ 545
Working capital deficit	(128)
Total assets	8,422
Total long-term obligations	1,054
Total Stockholders' equity	1,508

RISK FACTORS

The shares offered by this prospectus are speculative and involve a high degree of risk. In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment decision.

Risk Factors Relating to Hudson

We have incurred significant historical losses and expect to continue to incur losses in the future.

Since inception, we have incurred significant losses, including net losses of

$2,522,000 and $2,399,000 for the fiscal years ended December 31, 2002 and 2001, respectively. At December 31, 2002, we had an accumulated deficit of $30,226,000. Losses are continuing through the date of this prospectus. Inasmuch as we will continue to have a high level of operating expenses following this offering and anticipate that we will incur additional expenditures in connection with any expansion of our RefrigerantSide(R) Services or other business, we anticipate that we will continue to incur losses until we generate revenues sufficient to offset our operating costs. We may not be able to generate significant revenues or ever achieve profitable operations.

The proceeds from this offering may not be sufficient to meet our capital requirements and we may need additional subsequent financing which may not be readily available to us.

Our capital requirements have been and will continue to be significant. We are dependent on the proceeds of this offering in order to continue our operations as currently conducted during the near term. There is no minimum amount of rights that must be exercised before a closing may occur and our stockholders or other prospective investors will not know whether all or a portion of the shares of common stock offered hereby have been sold. To the extent that less than all of the shares offered hereby are sold, we will have less resources available to us. Consequently, the amount of proceeds we will raise in this offering may not be sufficient to satisfy our future cash requirements. In addition, unanticipated declines in revenues or increases in operating costs could require resources substantially greater than the proceeds available to us from this offering. We have no current arrangements with respect to, or sources of, additional financing, which if available to us, may not be on acceptable terms. See "Use of Proceeds."

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 nonhazardous 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 us.

We may not be able to pursue our contemplated growth strategy.

Our business objective is to seek to expand our RefrigerantSide(R) Services business, which expansion is subject to the availability of adequate financing and will be largely dependent upon our ability to profitably operate our existing and any additional facilities.

We may have to make substantial payments on our debt during 2003 and may not have the funds to do so.

As of December 31, 2002, we had approximately $2.0 million of debt outstanding under our revolving line of credit and $303,000 outstanding under our term loans with The CIT Group/Business Credit Inc., or "CIT", which is due in May 2003. Hudson has received written notification from CIT that CIT does not intend to renew or extend Hudson's line of credit. Hudson may not be able to obtain an extension of the maturity date or negotiate a new line of credit with CIT or any other lender prior to the expiration of the current loan agreement, in which event Hudson will not have sufficient funds to repay the CIT debt, which is senior in right of payment to all other debt of Hudson and to all holders of shares of Hudson stock. Failure to repay the CIT debt would have a material adverse effect on Hudson. In addition, if an event of default occurs under the CIT debt, such indebtedness could become immediately due and payable. Moreover, our independent certified public accountants have added an explanatory paragraph regarding the uncertainty that Hudson will continue as a going concern due to the non-renewal of this facility.

Our business and financial condition is substantially dependent on the sale and continued environmental regulation of chloroflurocarbons, or CFCs.

Our sales of refrigerants continue to represent a significant portion of our revenues. Most of our refrigerant sales, however, are CFC based refrigerants which are no longer manufactured. Our inability to source CFC based refrigerants for resale would have a material adverse effect on our financial condition and result of operations. Moreover, our business and prospects are largely dependent upon continued regulation of the use and disposition of refrigerants containing CFCs. Changes in government regulations relating to the emission of refrigerants containing CFCs 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 United States Environmental Protection Agency, the United States Occupational Safety and Health Administration and the United States Department of Transportation. Although we believe that we are in substantial compliance with all material regulations relating to our material business operations, amendments to existing statutes and regulations or adoption of new statutes and regulations which affect the marketing and sale of refrigerants 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 permitting requirements, particularly as we seek to enter into new geographic markets. Our failure to comply with applicable laws, rules or regulations or permitting requirements could subject us to civil remedies, including substantial fines, penalties and injunctions, as well as possible criminal sanctions, which would materially adversely impact our operations and financial condition.

As a result of the intense 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 reclaimed and alternative refrigerants, including certain of our suppliers, some of which possess substantially greater financial, technical, marketing, personnel 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.

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

Our business is substantially dependent on the availability of used refrigerants in large quantities and the corresponding demand for reclaimed refrigerants which may be affected by several factors, including limitations on commercial production and use imposed by government regulation as the introduction and commercial use of new refrigerants and air conditioning and refrigeration equipment, price competition resulting from additional market entrants and changes in government regulation, particularly regulations repealing or imposing taxes on the use of refrigerants. Although we believe that sufficient quantities of used domestic refrigerants will continue to be available to us at a reasonable cost for the foreseeable future, we do not maintain agreements with any of our domestic suppliers to obtain refrigerants from time to time in the ordinary course of business. Sufficient amounts of used refrigerants may not be available to us in the future or may be available on commercially unreasonable terms. Additionally, we may be subject to price fluctuations, periodic delays or shortages of used refrigerant or current levels of demand for reclaimed refrigerants may decrease. Our failure to recover and reclaim refrigerants for customers or to otherwise obtain, reclaim and resell sufficient quantities of refrigerants would have a material adverse effect on our operating margins and results of operations.

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 the services of which would have a material adverse effect on our business and prospects.

Proceeds from this offering applied to working capital may be allocated at the discretion of management.

A substantial portion of the proceeds from this offering has been allocated to working capital and general corporate purposes. Accordingly, our management will have broad discretion as to the application of any such proceeds.

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

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. A total of 150,000 of the shares of preferred stock have been designated as Series A Convertible Preferred Stock, 120,782 shares of which are currently outstanding. 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 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 Hudson.

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

Our common stock is currently listed on NASDAQ. We must comply with numerous NASDAQ MarketPlace rules in order to continue the listing of our common stock on NASDAQ and we are currently not in compliance with a NASDAQ MarketPlace rule relating to our maintaining a specified level of stockholders' equity. As a result, NASDAQ may seek to remove or "delist" our common stock. If our common stock is no longer traded on NASDAQ the common stock would be subject to certain rules promulgated under the Securities Exchange Act of 1934, which require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a penny stock which, subject to certain exceptions, is any non-NASDAQ equity security that has a market price of less than $5.00 per share. Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith, and impose various sales practice requirements on broker-dealers who sell penny stock to persons other than established customers and accredited investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transactions prior to sale. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our common stock, which could severely limit the market liquidity of our common stock.

The issuance of our common stock in this offering will trigger adjustment of the conversion price of our Series A Preferred Stock, which, if converted, would have a substantially dilutive effect on the ownership interests of our common stockholders.

Our Series A Preferred Stock provides for anti-dilution adjustment of the conversion price in the event of the issuance by Hudson of securities for consideration per share less than the then effective conversion price of the Series A Preferred Stock. The conversion price of the Series A Preferred Stock will be adjusted to equal the per share consideration received by Hudson in connection with this offering, or any subsequent issuance of securities below the current $2.375 per share conversion price. Similarly, any conversion of our outstanding Convertible Notes will result in a downward adjustment of the conversion price of the Series A Preferred Stock to equal the conversion rate of the Convertible Notes. Any downward adjustment of the conversion price of the Series A Preferred Stock would result in further dilution to the interests of Hudson's common stockholders upon conversion of the Series A Preferred Stock. Moreover, the percentage ownership of Hudson by existing common stockholders will decrease as a result of issuance of shares upon conversion of the Convertible Notes which will occur in connection with this offering.

Based on the current conversion rate of the Series A Preferred Stock, the holders of these shares effectively control the affairs of Hudson.

The holders of our Series A Preferred Stock own approximately 48% of our outstanding common stock on a fully diluted, as converted basis, based upon the current $2.375 conversion price of the Series A Preferred Stock. Moreover, any downward adjustment of the conversion price below the current $2.375 conversion price of the Series A Preferred Stock will result in a substantial increase of the ownership percentage of Hudson by the holders of the Series A Preferred Stock. Accordingly, such persons acting together, will be in a position to significantly effect, and potentially fully control Hudson and the election of our directors and generally direct Hudson's affairs. There is no provision for cumulative voting for directors.

The trading price of our common stock has been and is likely to continue to be volatile.

The trading price of our common stock is subject to significant volatility, which is due, in part, to the lack of liquidity from our shares. This lack of liquidity may continue for the foreseeable future.

Disclosures of our operating results, announcements of regulatory changes affecting our business, other factors affecting our operations and general conditions in the securities markets unrelated to our operating performance may cause the market price of our common stock to change significantly over short periods of time. In addition, sales of shares under this prospectus may have a depressive effect on the market price of our common stock.

Risk Factors Relating to the Offering of Subscription Rights

The market price of our common stock may decline after you have committed to purchase our common stock.

The market price of our common stock may increase or decline before the subscription rights expire. Once you exercise your subscription rights, you may not revoke the exercise. Therefore, if you exercise your subscription rights and the market price of the common stock goes below $___, then you will have committed to buy shares of common stock in the rights offering at a price that is higher than the price at which our shares could be purchased in the open market. Moreover, you may not be able to sell the shares of common stock that you purchase in our rights offering at a price equal to or greater than the subscription price.

Our determination of the subscription price was not based on an independent valuation and may not be the true value of the shares.

We did not set the subscription price, or any of the terms and conditions of the rights offering, based on an independent valuation of Hudson. The $__ subscription price was based on the strategic alternatives available to us for raising capital, the market price of our common stock before and after the announcement of the rights offering, the limited trading volume in our stock, our business prospects and the general conditions in the securities markets. The subscription price does not necessarily bear any relationship to our past operations, cash flows, current financial condition, or any other established criteria for value. You should not consider the subscription price as an indication of the value of Hudson or our common stock.

Your percentage ownership of Hudson may be diluted.

If you do not exercise all of your basic subscription rights, you may suffer significant dilution of your percentage ownership of Hudson relative to stockholders who fully exercise their subscription rights in addition to any dilution that will result from any purchases of shares by the public and the conversion of our Convertible Notes. For example, if you own ______ shares of common stock before the rights offering, or approximately ___% of the equity of Hudson, and you exercise none of your subscription rights while all other subscription rights are exercised and purchased for cash through the basic subscription privilege and/or over-subscription privilege, then the percentage ownership represented by your _______ shares will be reduced to approximately ___%. After giving effect to the automatic conversion of our outstanding Convertible Notes upon completion of this offering, your percentage ownership in the above example will be further reduced by approximately __%.

You may not be able to sell your shares of common stock immediately upon expiration of the rights offering.

Until certificates are delivered, or your account is credited for the purchased shares after expiration of the rights offering, you may not be able to sell the shares of our common stock that you purchase in the rights offering. Certificates representing shares of our common stock that you purchased will be delivered and/or your account will be credited as soon as practicable after __________, 2003, the Expiration Date of the rights offering, which may be extended by Hudson.

The rights offering may be canceled and funds returned without interest.

If we elect to cancel the rights offering, we will have no obligation with respect to the subscription rights except to return, without interest, any subscription payments.

You will not earn interest on any funds delivered to us to exercise your subscription rights.

We will not pay you interest on funds delivered to us pursuant to your exercise of rights regardless of the length of time during which we hold your subscription payment.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this section and elsewhere in this prospectus 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 Hudson to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, changes in the markets for refrigerants (including unfavorable market conditions adversely affecting the demand for, and the price of refrigerants), regulatory and economic factors, seasonality, competition, litigation, the nature of supplier or customer arrangements which become available to Hudson 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, and other risks detailed in this prospectus. 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.

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USE OF PROCEEDS

In the event that all of the shares offered hereby are sold for cash, we expect to use the net cash proceeds of this offering, which are estimated to be approximately $4,700,000 assuming we do not incur any obligation for payment of fees or commissions in connection with the offer of shares, if any, to members of the public and after payment of the expenses of this offering, as follows:

Purpose	Approximate Dollar Amount
Sales and marketing	$2,400,000
Capital expenditures	750,000
Working capital	1,550,000
Total	$4,700,000

In the event that less than all of the shares offered hereby are sold for cash, we currently intend to allocate the net proceeds in the priority of the following categories: (i) working capital; (ii) sales and marketing; and (iii) capital expenditures.

Working capital will be applied toward general and administrative expenses, and the further exploration, testing and recovery process development as described below under the section entitled "Our Business" beginning on page 28.

Our indicated allocation of the net cash proceeds of this offering represents our best estimates based upon our currently proposed plans and assumptions relating to our operations and certain assumptions regarding general economic conditions. If any of these factors change, we may find it necessary or advisable to reallocate some of the cash proceeds within the categories set forth above or use portions of those proceeds for other purposes.

In addition to shares which may be sold for cash, certain of the shares offered for sale by us under this prospectus may be acquired by the holders of our Convertible Notes, at their election, through the reduction of the principal and, if applicable accrued and unpaid interest in an amount equal to the number of shares subscribed for, multiplied by the subscription price. There are currently $1,650,000 principal amount of Convertible Notes outstanding which were issued by us between December 2002 and April 2003. These Convertible Notes bear interest at 10% per annum and will otherwise automatically convert into our common stock upon the consummation of this offering. The proceeds from the Convertible Notes were used for working capital and general corporate purposes.

MARKET PRICE FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Hudson's common stock traded from November 1, 1994 to September 20, 1995 on the NASDAQ SmallCap Market under the symbol `HDSN'. From September 20, 1995 through May 12, 2002, the common stock traded on the NASDAQ National Market. Since May 13, 2002, the common stock has traded on the NASDAQ SmallCap Market. There can be no assurance that, in the future, Hudson will be able to meet the requirements necessary for continued listing of its common stock on the NASDAQ SmallCap Market. The following table sets forth, for the periods indicated the range of the high and low sale prices for the common stock as reported by NASDAQ.

	High	Low
2001		
o First Quarter	$2.53	$1.50
o Second Quarter	$3.50	$1.80
o Third Quarter	$3.25	$1.90

o Fourth Quarter	$4.13	$2.01

2002		
o First Quarter	$3.95	$2.60
o Second Quarter	$3.10	$1.60
o Third Quarter	$2.09	$0.85
o Fourth Quarter	$1.70	$0.56

The number of record holders of Hudson's common stock was approximately 250 as of April 15, 2003. Hudson believes that there are in excess of 4,000 beneficial owners of its common stock.

To date, Hudson 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 Hudson's Board of Directors and will depend upon Hudson's earnings, its capital requirements and financial condition, borrowing covenants, and other relevant factors. Hudson presently intends to retain all earnings, if any, to finance Hudson's operations and development of its business and does not expect to declare or pay any cash dividends in the foreseeable future. In addition, Hudson has a credit facility with CIT which, among other things, restricts Hudson's ability to declare or pay any dividends on its capital stock. Hudson has obtained a waiver from CIT to permit the payment of dividends on its Series A Preferred Stock. The Series A Preferred Stock carries a dividend rate of 7% and as such has a dividend preference over the common stock. Hudson pays dividends, in arrears, on the Series A Preferred Stock, semi annually, either in cash or additional shares, at Hudson's option.

ABOUT THE RIGHTS OFFERING

The Reason for the Rights Offering

We are offering the subscription rights to our current stockholders with the intention of raising up to approximately $5,000,000 of gross proceeds. After payment of expenses and any fees or commissions of this offering, we intend to use the net cash proceeds of the offering for (i) sales and marketing support of our service business (ii) infrastructure support for our refrigerant sales business and (iii) working capital and general corporate purposes. Our Board of Directors has chosen to give you the opportunity to buy more shares and provide us with additional capital. This right provides each stockholder the opportunity to avoid additional dilution of their ownership interest, at least insofar as this current financing is concerned. However, our stockholders will experience dilution of their ownership interest as a result of the conversion of our Convertible Notes upon completion of this offering. Of course, we cannot assure you that we will not need to seek additional financing in the future that could result in dilution of your ownership and your ownership interest will be diluted as a result of the conversion of our outstanding Convertible Notes in connection with this offering.

The Subscription Rights

Without cost to you, we are distributing to you an instrument known as a "subscription right." You will receive ___ non-transferable subscription right(s) for each ___ share(s) of our common stock you owned as of __________, 2003, which we arbitrarily established as of the "record date" for the rights offering. Each subscription right will entitle you, at your option, to purchase --- share(s) of our common stock at the "subscription price," which we have established as $____ per share. Should you elect to exercise your rights to subscribe, meaning that you choose to purchase the common stock offered to you, you may do so only on the terms and conditions of the offering.

You may exercise any number of your subscription rights subject to your subscribing to purchase a minimum of 1,000 shares, or you may choose not to exercise any subscription rights. You cannot give or sell your subscription rights to anyone; only you can exercise them. If not exercised, your right will expire at 5:00 P.M. Eastern Time on ___________, 2003, the Expiration Date. Prior to that date and time, the Board of Directors may cancel the rights offering for any reason. After that date, the subscription rights will expire and will no longer be exercisable. There is no minimum that we must sell to complete the offering. The rights offering and any other sales of shares under this prospectus is being made on an "any or all basis," which means that we may accept payment for shares sold pursuant to any subscription received even if all of the shares of common stock offered are not subscribed for in the offering.

Once you submit your subscription agreement to Hudson together with your payment, you may not revoke your subscription, even if you subsequently learn unfavorable information about Hudson or if the market price of our common stock declines to below the subscription price of the shares.

Basic Subscription Privilege

Each whole subscription right will entitle you to receive, upon payment of $______ per subscription right, ____ share(s) of our common stock. You will receive certificates, or your account will be credited by an amount representing shares that you purchase pursuant to your basic subscription privilege, as soon as practicable after the Expiration Date, whether you exercise your subscription rights immediately prior to that date or earlier.

Over-Subscription Privilege

Subject to the allocation described below, each subscription right also grants you an over-subscription privilege to purchase additional shares of common stock that are subject to basic subscription rights not exercised by other stockholders. You are entitled to exercise your over-subscription privilege only if you exercise your basic subscription privilege in full.

If you wish to exercise your over-subscription privilege, you should indicate the number of additional shares that you would like to purchase in the space provided on your subscription agreement. When you send in your subscription agreement, you must also send the full purchase price for the number of additional shares that you have requested to purchase, which payment is in addition to the payment due for shares purchased through your basic subscription privilege. If we receive over-subscription requests for a number of shares greater than the number of shares available, we will allocate the available over-subscription shares to the over-subscribers in the same proportion that their basic subscription shares bears to the total of basic subscriptions. Regardless of the proportion, however, you will not receive more over-subscription shares than you actually apply for, although you may receive fewer. We have the discretion to issue less than the total number of shares that may be available for over-subscription requests in order to comply with state securities laws.

As soon as practicable after the Expiration Date, we will determine the number of shares of common stock that you may purchase pursuant to the over-subscription privilege. You will receive certificates, or your account will be credited by an amount, representing these shares as soon as practicable after the Expiration Date. We have the discretion to delay allocation and distribution of any and all shares to stockholders who elect to participate in the rights offering and are affected by state securities laws, if any, including shares that we issue with respect to basic or over-subscription privileges, in order to comply with such regulations. If you request and pay for more shares than are allocated to you, we will refund that overpayment, without interest. In connection with the exercise of the over-subscription privilege, banks, brokers and other nominee holders of subscription rights who act on behalf of beneficial owners will be required to certify to us as to the aggregate number of subscription rights that have been exercised, and the number of shares of common stock that are being requested through the over-subscription privilege, by each beneficial owner on whose behalf the nominee holder is acting.

No Recommendation

We are not making any recommendations as to whether or not you should exercise your subscription rights. You should make your decision based on your own assessment of your best interests.

Expiration Date

The rights will expire at 5:00 P.M. Eastern Time, on __________, 2003, unless we decide to extend the rights offering. If you do not exercise your subscription rights prior to that time, your subscription rights will be null and void. We will not be required to issue shares of common stock to you if we receive your subscription agreement or your payment after that time, regardless of when you sent the subscription agreement and payment.

Board of Directors' Withdrawal Right

Our Board of Directors may withdraw or cancel the rights offering in its sole discretion at any time prior to or on the Expiration Date for any reason including, without limitation, a change in the market price of our common stock. If we withdraw the rights offering, any funds you paid will be promptly refunded, without interest or penalty.

Determination of Subscription Price

Our Board of Directors chose the $_____ per share subscription price after considering a variety of factors, including the following:

- the historic and current market price of the common stock;
- our history of losses;
- our business prospects;
- our need for capital;

- alternatives available to us for raising capital;

- general conditions in the securities market;
- the level of risk to investors; and
- the need to offer shares at a price that would be attractive to investors relative to the current trading price of our common stock.

The $____ per share subscription price should not be considered an indication of the actual value of Hudson or of our common stock. The market price of our common stock may decline during or after the rights offering. Moreover, you may not be able to sell shares of our common stock purchased during the rights offering at a price equal to or greater than $_____ per share subscription price.

Non-Transferability of Subscription Rights

Except in the limited circumstances described below, both the basic subscription rights and over-subscription rights are non-transferable and non-assignable. Only you may exercise these rights.

Notwithstanding the foregoing, your rights may be transferred by operation of law or through involuntary transfers. For example, a transfer of rights to the estate of the recipient upon the death of the recipient would be permitted. If the rights are transferred as permitted, evidence satisfactory to us that the transfer was proper must be received by us prior to the Expiration Date of the rights offering.

Exercise of Subscription Rights

Our stockholders may exercise their subscription rights by delivering to us the following, all of which must be received by us on or prior to the Expiration Date:

- a properly completed and duly executed subscription agreement;
- any required signature guarantees; and
- payment in full of $_____ per share for the shares of common stock subscribed for by exercising basic subscription rights and, if desired, over-subscription rights.

You should deliver your subscription agreement and payment to us at the following address: 275 North Middletown Road, Pearl River, New York 10965, Attention: Brian F. Coleman. We recommend registered mail or overnight delivery. We will not pay you interest on funds delivered to us pursuant to the exercise of rights. If you choose to wire transfer funds for payment, you are urged to send your subscription agreement by overnight delivery no later than the date of your wire transfer to assure proper matching with your payment and, in any event, in time for delivery on or prior to _________, 2003. In addition, we request that you provide the name and ABA routing number of the originating bank and the date of your wire transfer on your subscription agreement.

Method of Payment

Payment for the shares must be made by check or bank draft (cashier's check) drawn upon a United States bank or a postal, telegraphic or express money order payable to the order of Hudson Technologies, Inc. Payment for basic subscription rights and over-subscription rights may also be effected through wire transfer. Contact us at (845) 735-6000 for wiring information.

Payment will be deemed to have been received by us only upon:

- clearance of any uncertified check;

- receipt by us of any certified check or bank draft drawn upon a U.S. bank or of any postal, telegraphic or express money order;

- receipt by us of any funds transferred by wire transfer; or

- receipt of funds by us through an alternative payment method approved by Hudson.

Please note that funds paid by uncertified personal check may take at least ten business days to clear. Accordingly, if you wish to pay by means of an uncertified personal check, we urge you to make payment sufficiently in advance of the Expiration Date to ensure that the payment is received and clears before that date. We are not responsible for any delay in payment and urge you to consider payment by means of a certified or cashier's check, money order or wire transfer.

Signature Guarantee

Signatures on the subscription agreement do not need to be guaranteed if either the subscription agreement provides that the shares of common stock to be purchased are to be delivered directly to the record owner of such subscription rights, or the subscription agreement is submitted for the account of a member firm of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the Untied States. If a signature guarantee is required, signatures on the subscription agreement must be guaranteed by an Eligible Guarantor Institution, as defined in Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended. Eligible Guarantor Institutions include banks, brokers, dealers, credit unions, national securities exchanges and savings associations.

Shares Held for Others

If you are a broker, a trustee or a depository for securities, or you otherwise hold shares of our common stock for the account of a beneficial owner of our common stock, you should notify the beneficial owner of such shares as soon as possible to obtain instructions with respect to their subscription rights. If you are a beneficial owner of our common stock held by a holder of record, such as a broker, trustee or a depository for securities and you wish to participate in this rights offering, you should contact the record holder and ask him or her to effect transactions in accordance with your instructions.

Ambiguities in Exercise of Subscription Rights

If you do not specify the number of subscription rights being exercised on your subscription agreement, or if your payment is not sufficient to pay the total purchase price for all of the shares that you indicated you wish to purchase, you will be deemed to have exercised the maximum number of subscription rights that could be exercised for the amount of the payment that we receive from you. If your payment exceeds the total purchase price for all of the subscription rights shown on your subscription agreement, your payment will be applied, until depleted, to subscribe for shares of common stock in the following order:

1. to subscribe for the number of shares, if any, that you indicated on your subscription agreement that you wished to purchase through your basic subscription privilege;

2. to subscribe for shares of common stock until your basic subscription privilege has been fully exercised;

3. to subscribe for additional shares of common stock pursuant to the over-subscription privilege, subject to any application proration.

Any excess payment remaining after the foregoing allocation will be returned to you as soon as practicable by mail, without interest or deduction.

Regulatory Limitation

We will not be required to issue you shares of common stock pursuant to the rights offering if, in our opinion, you would be required to obtain prior clearance or approval from any state or federal regulatory authorities to own or control such shares if, at the time the subscription rights expire, you have not obtained such clearance or approval.

State and Foreign Securities Law

The rights offering is not being made in any state or other jurisdiction in which it is unlawful to do so, nor are we selling to you or accepting any offers to purchase any shares of common stock from you if you are a resident of any such state or other jurisdiction. We may delay the commencement of the rights offering in certain states or other jurisdictions in order to

comply with the securities law requirements of such states and other jurisdictions. It is not anticipated that there will be any changes in the terms of the rights offering. In our sole discretion, we may decline to make modifications to the terms of the rights offering requested by certain states or other jurisdictions, in which case shareholders who live in those states or jurisdictions will not be eligible to participate in the rights offering.

Minimum Share Purchase Requirement

We will only accept subscriptions in this rights offering for the purchase of a minimum of 1,000 shares of our common stock. Stockholders who exercise all of their basic subscription rights may subscribe for an unlimited number of additional shares under their over-subscription privilege subject to state regulatory approval and our proportionate reduction of subscriptions in the event of over-subscription of the offering. Therefore, stockholders who, as a result of their share ownership on the record date, receive basic subscription rights for less than 1,000 shares of our common stock may still participate in the rights offering by exercising all of their basic subscription rights and a sufficient amount of over-subscription rights which, in the aggregate, exceeds the minimum 1,000 purchase requirement. Nevertheless, in the event this rights offering is over-subscribed we will be required to reduce, on a proportionate basis, the number of shares that may be purchased by each subscribing stockholder as part of the over-subscription privilege. Consequently, stockholders with basic subscription rights for less than 1,000 shares who have exercised over-subscription rights necessary to exceed the 1,000 share purchase requirement may be subsequently reduced below the 1,000 share purchase requirement, in which case we would not accept that stockholder's subscription.

Our Decision Regarding Certain Matters Binding on You

All questions concerning the timeliness, validity, form and eligibility of any exercise of subscription rights will be determined by us, and our determinations will be final and binding. In our sole discretion, we may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as we may determine, or reject the purported exercise of any subscription right by reason of any defect or irregularity in such exercise. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine in our sole discretion. We will not be under any duty to notify you of any defect or irregularity in connection with the submission of a subscription agreement or incur any liability for failure to give such notification.

It is not anticipated that we will give notice to you of any defects in your subscription, if any, but we reserve the right to do so, and to condition the re-submission of your subscription upon such conditions as we deem necessary or appropriate under the circumstances. Under no circumstance, however, will we be obligated to give you notification of defects in your subscription. No exercise of rights will be accepted until all defects have been cured or waived. If your exercise is rejected, any payments made on account of this offering will be promptly returned.

No Revocation

After you have exercised your basic subscription privilege and, if applicable, your over-subscription privilege and delivered the appropriate payment, YOU MAY NOT REVOKE THAT EXERCISE EVEN IF THE SUBSCRIPTION PERIOD HAS NOT YET ENDED. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our common stock.

Delivery of Subscribed Shares

If you purchase shares of common stock through the rights offering, you will receive certificates or your account will be credited by an amount representing those shares as soon as practicable after the Expiration Date.

Shares of Our Common Stock Outstanding After the Rights Offering

Assuming we issue all of the shares of common stock offered in the rights offering, approximately _______ shares of our common stock will be issued and outstanding. This would represent a __% increase in the number of outstanding shares of our common stock.

THE PERCENTAGE OF OUR COMMON STOCK THAT YOU HOLD WILL DECREASE AS A RESULT OF THE CONVERSION OF OUR OUTSTANDING CONVERTIBLE NOTES UPON THE COMPLETION OF THIS OFFERING AND MAY BE DECREASED FURTHER IF YOU DO NOT EXERCISE YOUR BASIC SUBSCRIPTION RIGHTS AND SHARES ARE PURCHASED IN THE OFFERING BY OTHER STOCKHOLDERS AND/OR MEMBERS OF THE PUBLIC.

IN ADDITION, IN ACCORDANCE WITH ANTI-DILUTION PROVISIONS, THE SERIES A PREFERRED STOCK CONVERSION PRICE WILL BE ADJUSTED DOWNWARD FROM THE CURRENT CONVERSION PRICE OF $2.375 TO A CONVERSION PRICE EQUAL TO THE LESSER OF THE SUBSCRIPTION PRICE OF THE OFFERING AND $.79 WHICH IS THE LOWEST CURRENT CONVERSION RATE OF OUR CONVERTIBLE NOTES. TO THE EXTENT THAT ALL OR A PORTION OF THE SERIES A PREFERRED STOCK WERE CONVERTED INTO OUR COMMON STOCK AT THE ADJUSTED CONVERSION PRICE OUR COMMON STOCKHOLDERS WOULD BE SUBJECT TO SIGNIFICANT DILUTION OF THEIR PERCENTAGE OWNERSHIP INTEREST IN HUDSON.

Fees and Expenses

We are offering shares of our common stock through the issuance of rights directly to our stockholders as of the record date. We will not pay any commissions or similar remuneration to any underwriter, dealer or other person for soliciting the exercise of rights in the rights offering. We may utilize the services of NASD member firms for sales made to members of the public with respect to the shares remaining after expiration of the rights offering. Consequently, we may pay fees and/or commissions to the NASD member firms for their services. You are responsible for paying any other commissions, fees, taxes or other expenses incurred in connection with the exercise of the subscription rights. Hudson will not pay such expenses.

Sales of Shares for Which Subscription Rights have not been Exercised by Eligible Stockholders

Any shares not sold as part of the rights offering will be offered by us to members of the public at the subscription price. If any of the shares being offered to the public remain unsold at the end of ___ days from the date of this prospectus the holders of our Convertible Notes can then elect to purchase shares in this offering at the subscription price through a reduction of the amount of principal and, if applicable, any accrued and unpaid interest under the Convertible Notes. If such an election is not made the Convertible Notes will otherwise automatically convert on completion of this offering into restricted shares of common stock at prices ranging from the lesser of the subscription price or: (i) $.79 per share with respect to up to $655,000 principal amount of Convertible Notes, together with accrued and unpaid interest; (ii) $1.41 per share with respect to up to $500,000 principal amount of Convertible Notes, together with accrued and unpaid interest; and (iii) $1.13 per share, with respect to up to $495,000 principal amount of Convertible Notes, together with accrued and unpaid interest. These Convertible Notes are held by certain of our officers and their family members and two of our principal stockholders, the Flemings Funds. Moreover, the Flemings Funds have agreed that if gross proceeds from the shares sold by us for cash in the offering to our stockholders and other investors (other than Flemings) together with the amount of principal and accrued interest due on the outstanding $1,650,000 principal amount of Convertible Notes that will be converted to common stock in connection with this offering is less than $2,575,000, the Flemings Funds will purchase from the shares being offered to the public that number of shares (not to exceed $_______) necessary for us to reach the $2,575,000 level.

We may offer to members of the public shares of our common stock, if any, that remain after the expiration date of the rights offering. As with the rights offering, members of the public interested in subscribing for shares must submit subscriptions for the purchase of a minimum of 1,000 shares. Subscriptions for shares offered to members of the public will be accepted and filled on a "first come first served" basis. The offering of shares to members of the public will expire on the later of (i) a date determined by our board of directors and (ii) ____, 2003, unless extended by us but not later than _____, 2003.

IMPORTANT

PLEASE CAREFULLY READ THE INSTRUCTIONS ACCOMPANYING THE SUBSCRIPTION CERTIFICATE AND FOLLOW THOSE INSTRUCTIONS IN DETAIL. SEND SUBSCRIPTION AGREEMENTS DIRECTLY TO US. YOU ARE RESPONSIBLE FOR CHOOSING THE PAYMENT AND DELIVERY METHOD FOR YOUR SUBSCRIPTION AGREEMENT, AND YOU BEAR THE RISKS ASSOCIATED WITH SUCH DELIVERY. IF YOU CHOOSE TO DELIVER YOUR SUBSCRIPTION AGREEMENT AND PAYMENT BY MAIL, WE RECOMMEND THAT YOU USE REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED. WE ALSO RECOMMEND THAT YOU ALLOW A SUFFICIENT NUMBER OF DAYS TO ENSURE DELIVERY TO US AND CLEARANCE OF PAYMENT PRIOR TO __________, 2003 FOR STOCKHOLDERS SUBSCRIBING IN THE RIGHTS OFFERING, AND _______, 2003, FOR MEMBERS

OF THE PUBLIC SUBSCRIBING AFTER THE RIGHTS OFFERING FOR REMAINING SHARES, IF ANY. BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST TEN BUSINESS DAYS TO CLEAR, WE STRONGLY URGE YOU TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF CERTIFIED OR CASHIER'S CHECK, MONEY ORDER OR WIRE TRANSFER.

IF YOU HAVE QUESTIONS

If you have questions or need assistance concerning the procedure for exercising subscription rights or if you would like additional copies of this prospectus or the subscription agreement you should contact our President Brian F. Coleman, at (845) 735-6000.

Income Tax Effect of Exercising Subscription Rights

The following summarizes the material federal income tax consequences to you as a United States stockholder of Hudson as a result of the receipt, lapse, or exercise of the subscription rights distributed to you pursuant to the rights offering. This discussion does not address the tax consequences of the rights offering under applicable state, local or foreign tax laws. Moreover, this discussion does not address every aspect of taxation that may be relevant to a particular taxpayer under special circumstances or who is subject to special treatment under applicable law and is not intended to be applicable in all respects to all categories of investors. Other tax considerations may apply to investors who are, for example, insurance companies, tax-exempt persons, financial institutions, regulated investment companies, dealers in securities, persons who hold their shares of common stock as part of a hedging, straddle, constructive sale or conversion transaction, persons whose functional currency is not the U.S. dollar and persons who are not treated as a U.S. stockholder.

This summary is based on the Internal Revenue Code of 1986, as amended which we refer to in this prospectus as the "Code", the Treasury regulations promulgated thereunder, judicial authority and current administrative rules and practice, all of which are subject to change on a prospective or retroactive basis.

This discussion assumes that your shares of common stock and the subscription rights and shares issued to you during the rights offering constitute capital assets within the meaning of Code Section 1221.

Receipt and exercise of the subscription rights distributed pursuant to the rights offering is intended to be nontaxable to stockholders, and the following summary assumes you will qualify for such nontaxable treatment. If however, the rights offering does not qualify as nontaxable, you would be treated as receiving a taxable distribution equal to the fair market value of the subscription rights on the distribution date. The distribution would be taxed as a dividend to the extent made out of Hudson's current or accumulated earnings and profits; any excess would be treated first as a return of your basis, or investment in your common stock and then as a capital gain. Expiration of the subscription rights in that situation would result in a capital loss.

Taxation of Stockholders

Receipt of a Subscription Right. You will not recognize any gain or other income upon receipt of a subscription right in respect of your common stock. Your tax basis in each subscription right will effectively depend on whether you exercise the subscription right or allow the subscription right to expire. Except as provided in the following sentence, the basis of subscription rights you receive as a distribution with respect to your common stock will be zero.

If, however, either (i) the fair market value of the subscription rights on the date of issuance is 15% or more of the fair market value on that same date of the common stock with respect to which they are received or (ii) you properly elect, in your federal income tax return for the taxable year in which the subscription rights are received, to allocate part of your basis in your common stock to the subscription rights, then upon exercise of the rights, your basis in the common stock will be allocated between the common stock and the rights in proportion to the fair market value of each on the date the rights are issued. Your holding period for a subscription right will include your holding period for the shares of common stock upon which the subscription right is issued.

Expiration of Subscription Rights. You will not recognize any loss upon the expiration of a subscription right.

Exercise of Subscription Rights. You generally will not recognize a gain or loss on the exercise of a subscription right. The tax basis of any share of common stock that you purchase through the rights offering will be equal to the sum of your tax basis, if any, in the subscription right exercised and the price paid for the shares. The holding period of the shares of common stock purchased through the rights offering will begin on the date that you exercise your subscription rights.

THIS DISCUSSION IS INCLUDED FOR YOUR GENERAL INFORMATION ONLY. YOU SHOULD CONSULT YOUR TAX ADVISOR TO DETERMINE THE TAX CONSEQUENCES TO YOU OF THE RIGHTS OFFERING IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES, INCLUDING ANY STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

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PLAN OF DISTRIBUTION

The common stock offered hereby is being offered by Hudson through the issuance of subscription rights directly to its stockholders of record as of __________, 2003. Shares for which subscription rights have not been exercised by eligible stockholders will first be offered to members of the public and, to the extent thereafter available, may be acquired by the holders of our existing Convertible Notes through the reduction of the principal amount and, if applicable, accrued and unpaid interest on the Convertible Notes in an amount equal to the shares subscribed for multiplied by the subscription price.

We intend to distribute subscription rights and copies of this prospectus to shareholders of record on _________, 2003, as well as to certain members of the public whom we believe may have an interest in purchasing shares as soon as the Registration Statement, of which this prospectus is a part, becomes effective with the Securities and Exchange Commission.

Certain employees, officers or directors of Hudson may solicit responses from holders of subscription rights or members of the public who are sent copies of the prospectus, but such individuals will not receive any commissions or compensation for such services other than their normal employment compensation.

We may engage one or more NASD member firms to provide marketing and assistance solely in connection with the offer of shares, if any, to members of the public. These firms will be under no obligation to purchase or sell any specific number or dollar amount of shares. In connection with the marketing services we may pay a fee as well as commissions to the member firms for shares purchased by members of the public as a result of the efforts of the NASD member firms. These member firms may be deemed to be underwriters under the Securities Act of 1933, and therefore, the fees and commissions to be paid by us to the member firms may be deemed to be underwriting discounts and commissions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies

Hudson'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 financial statements requires Hudson 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 Hudson's accounting policies involve significant judgements, uncertainties and estimations. Hudson 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 judgements and estimations, there could be a material adverse effect on Hudson. On an on-going basis, Hudson evaluates its estimates, including, but not limited to, those estimates related to its allowance for doubtful accounts, inventories and commitments and contingencies. With respect to accounts receivable, Hudson 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, Hudson evaluates both current and anticipated sales prices of its products to determine if a write down of inventory to net realizable value is necessary. Hudson 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 estimated liabilities could differ from the original estimates.

Overview

Over the past few years, Hudson has been attempting to grow its service revenues through the development of a service offering known as RefrigerantSide(R) Services. RefrigerantSide(R) Services are sold to contractors and end-users associated with refrigeration systems in commercial air conditioning and industrial processing industries. These services are offered in addition to refrigerant sales and Hudson's traditional refrigerant management services, which consist primarily of reclamation of refrigerants. Hudson has created a network of service depots that provide a full range of Hudson's RefrigerantSide(R) Services to facilitate the growth and development of its service offerings.

During 1999 and 2001 Hudson completed sales of its Series A Preferred Stock. The net proceeds of these sales were used to expand Hudson's service offering through a network of service depots and to provide working capital. Management believes that its RefrigerantSide(R) Services represent Hudson's long term growth potential. However, in recent periods Hudson has not been successful in growing its RefrigerantSide(R) Services revenue. As part of Hudson's goal to grow its RefrigerantSide(R) Services business, in 2002, Hudson commenced a restructuring of its sales and marketing efforts including hiring a new Vice President of Sales and Marketing. In addition, Hudson has been evaluating its sales and marketing strategy and is in the process of focusing on vertical markets rather than geographic markets that had been the strategy with our network of service depots. In the near term, Hudson expects that it will incur additional expenses and losses related to the development of its RefrigerantSide(R) Services. In addition, to the extent that the network of service depots does not develop to expected operating levels, or it is not necessary to fulfill the vertical market strategy, Hudson may terminate the operations of certain of its service depots.

Sales of refrigerants continue to represent a majority of Hudson's revenues. Most of Hudson's refrigerant sales are chlorofluorocarbon, or CFC based refrigerants, which are no longer manufactured. In addition, Hudson expects that, over time, the demand for CFC based refrigerants will decrease as equipment that utilizes other chemical based refrigerants replaces those units that utilize CFC based refrigerants. To the extent that Hudson is unable to source CFC based refrigerants on commercially reasonable terms or at all, or the demand for CFC based refrigerants decreases, Hudson's financial condition and results of operations would be materially adversely affected. In addition, Hudson's long-term strategy of growth in revenues generated from RefrigerantSide(R) Services may cause reductions in revenues derived from the sale of refrigerants.

Hudson believes that, for the foreseeable future in the refrigeration industry overall, there will be a trend towards lower sales prices, volumes and gross profit margins on refrigerant sales, which may result in an adverse effect on Hudson's operating results. In addition, to the extent that Hudson is unable to obtain refrigerants on commercially reasonable terms or experiences a decline in demand for refrigerants, Hudson could realize reductions in refrigerant processing, and possible loss of revenues which would have a material adverse effect on its operating results.

Results of Operations

Year ended December 31, 2002 as compared to year ended December 31, 2001

Revenues for 2002 were $19,963,000, a decrease of $805,000 or 4% from the $20,768,000 reported during the comparable 2001 period. The decrease in revenues was primarily attributable to a decrease in refrigerant revenues and a decrease in RefrigerantSide(R) Services revenues. The decrease in refrigerant revenues is related to a reduction in the sales prices per pound for certain refrigerants. The decrease in RefrigerantSide(R) Services was primarily a reduction in the number of jobs sold.

Cost of sales for 2002 was $14,505,000, a decrease of $466,000 or 3% from the $14,971,000 reported during the comparable 2001 period. The decrease in cost of sales was primarily due to a reduction in payroll and supply costs associated with Hudson's RefrigerantSide(R) Services offset by an increase in cost of refrigerant. As a percentage of sales, cost of sales were 73% of revenues for 2002, an increase from the 72% reported for the comparable 2001 period. The increase in cost of sales as a percentage of revenues was primarily attributable to an increase in the cost of refrigerant sold.

Operating expenses for 2002 were $7,911,000 a decrease of $106,000 or 1% from the $8,017,000 reported during the comparable 2001 period. The decrease was primarily attributable to a reduction in administrative payroll costs and a reduction in depreciation and amortization offset by an increase in marketing and sales payroll costs of $233,000 associated with Hudson's RefrigerantSide(R) Service offering.

Other income (expense) for 2002 was $(69,000), compared to the $(179,000) reported during the comparable 2001 period. Other income (expense) includes interest expense of $347,000 and $423,000 for 2002 and 2001, respectively, offset by other income of $278,000 and $244,000 for 2002 and 2001, respectively. The decrease in interest expense is primarily attributed to a decrease in outstanding indebtedness and interest rates during 2002 as compared to 2001.

Other income primarily relates to interest income and proceeds from the prepayment of the note receivable from Environmental Support Solutions, Inc. or ESS.

No income taxes for the years ended December 31, 2002 and 2001 were recognized. Hudson recognized a reserve allowance against the deferred tax benefit for the 2002 and 2001 losses. The tax benefits associated with Hudson's net operating loss carry forwards would be recognized to the extent that Hudson recognizes net income in future periods. A

portion of Hudson's net operating loss carry forwards are subject to annual limitations. See Note 4 to the Notes to the Consolidated Financial Statements contained elsewhere in this prospectus.

Net loss for 2002 was $2,522,000 an increase of $123,000 or 5% from the $2,399,000 net loss reported during the comparable 2001 period. The increase in net loss was primarily attributable to a decrease in revenues resulting from lower sales prices of certain refrigerants sold as well as an increase in the cost of the refrigerant that was sold, offset by the non-recurring gain of $232,000 from the prepayment of the note receivable from ESS.

Liquidity and Capital Resources

At December 31, 2002, Hudson had a working capital deficit of approximately $128,000, a decrease of $1,055,000 from working capital of $927,000 at December 31, 2001. The decrease in working capital is primarily attributable to the net loss incurred during the year ended December 31, 2002 offset by proceeds from the sale of Bridge Notes, which are described in greater detail below, and Convertible Notes to purchasers including certain officers and the Series A Preferred Stockholders.

Principal components of current assets are inventory and trade receivables. At December 31, 2002, Hudson had inventories of $2,967,000, an increase of $580,000 or 24% from the $2,387,000 at December 31, 2001. The increase in the inventory balance is due to the timing and availability of inventory purchases and the sale of refrigerants. Hudson's ability to sell and replace its inventory on a timely basis and the prices at which it can be sold are subject, among other things, to current market conditions and the nature of supplier or customer arrangements, See the subsection below entitled "Seasonality and Fluctuations in Operating Results". At December 31, 2002, Hudson had trade receivables of $1,971,000, a decrease of $774,000 or 28% from the $2,745,000 at December 31, 2001. Hudson's trade receivables are concentrated with various wholesalers, brokers, contractors and end-users within the refrigeration industry that are primarily located in the continental United States.

Hudson has historically financed its working capital requirements through cash flows from operations, the issuance of debt and equity securities and bank and related party borrowings. In recent years, Hudson has not financed its working capital requirements through cash flows from operations but rather from issuances of equity securities and bank borrowings. In order for Hudson to finance its working capital requirements through cash flows from operations, Hudson must reduce its operating losses. There can be no assurances that Hudson will be successful in lowering its operating losses, in which case Hudson will be required to fund its working capital requirements from additional issuances of equity securities and/or additional bank borrowings. Based on the current investment environment there can be no assurances that Hudson would be successful in raising additional capital. The inability to raise additional capital could have a material adverse effect on Hudson. Furthermore, the inability of Hudson to renew or replace its existing credit facility with CIT at the expiration of the term of the current facility on May 30, 2003 would have a material adverse effect on Hudson's operations and financial condition.

Net cash used by operating activities for the year ended December 31, 2002, was $1,342,000 compared with net cash used by operating activities of $2,361,000 for the comparable 2001 period. Net cash used by operating activities was primarily attributable to the net loss for the 2002 period and an increase in inventories offset by a reduction in trade receivables.

Net cash used by investing activities for the year ended December 31, 2002, was $80,000 compared with net cash provided by investing activities of $554,000 for the prior comparable 2001 period. The net cash used by investing activities was due to equipment additions primarily associated with Hudson's depot network.

Net cash provided by financing activities for the year ended December 31, 2002, was $585,000 compared with net cash provided by financing activities of $2,326,000 for the comparable 2001 period. The net cash provided by financing activities for the 2002 period primarily consisted of $1,150,000 aggregate proceeds received by Hudson from the sale of Bridge Notes and Convertible Notes to purchasers including the holders of Hudson's Series A Preferred Stock and certain officers and certain members of their family, offset by the repayment of long term debt of $788,000.

At December 31, 2002, Hudson had cash and cash equivalents of $545,000. Hudson continues to assess its capital expenditure needs. Hudson may, to the extent necessary, continue to utilize its cash balances to purchase equipment primarily associated with its RefrigerantSide(R) Services offering and consolidation of its reclamation facilities. Hudson estimates that capital expenditures during 2003 may range from approximately $500,000 to $700,000.

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The following is a summary of Hudson's significant contractual cash obligations for the periods indicated that existed as of December 31, 2002 and is more fully disclosed in Notes 9 and 11 of the Notes to the Consolidated Financial Statements included elsewhere in this prospectus. The amounts presented below are in thousands of dollars.

	Year ended December 31,					
	2003	2004	2005	2006	2007	Total
Long term debt and capital lease obligations	$245	$1,045	$ 3	$ 3	$ 3	$1,299
Operating leases	664	324	120	70	72	1,250
Total contractual cash obligations	$909	$1,369	$123	$73	$75	$2,549

Hudson has entered into a credit facility with CIT, which provides for borrowings to Hudson of up to $6,500,000. The facility requires minimum borrowings of $1,250,000. The facility provides for a revolving line of credit and a term loan. Advances under the revolving line of credit are limited to (i)

80% of eligible trade accounts receivable and (ii) 50% of eligible inventory (which inventory amount shall not exceed 200% of eligible trade accounts receivable or $3,250,000). As of December 31, 2002, Hudson had availability under its revolving line of credit of approximately $292,000. Advances available to Hudson under the term loan are based on existing fixed asset valuations and future advances under the term loan of up to an additional $1,000,000 are based on future capital expenditures. As of December 31, 2002, Hudson had approximately $303,000 outstanding under its term loans and $2,034,000 outstanding under its revolving line of credit and due to the expiration of the credit facility, all such amounts are reflected on Hudson's December 31, 2002 Balance Sheet as current liabilities. The facility bears interest at the prime rate plus 1.5%, 5.75% at December 31, 2002, and substantially all of Hudson's assets are pledged as collateral for obligations to CIT. On April 29, 2003, Hudson executed a 30-day extension of the terms of the loan agreements with CIT and the interest rate was increased to the prime rate plus 3.5%. In addition, among other things, the agreements restrict Hudson's ability to declare or pay any dividends on its capital stock. Hudson has obtained a waiver from CIT to permit the payment of dividends on its Series A Preferred Stock.

Hudson is currently in negotiations with CIT regarding a possible extension of the term of the credit facility or the entering into of a new credit facility, and is also seeking alternate sources of financing. While Hudson believes that it will be able to obtain replacement financing, there can be no assurance that CIT will continue to lend funds to Hudson after the expiration of the current credit facility or that Hudson will be able to obtain financing from another source should CIT decide not to continue providing financing to Hudson. However, even if Hudson is able to obtain replacement financing it may be on terms that are less favorable to Hudson than the current CIT facility. A failure of Hudson to obtain adequate financing from CIT or an alternate source after the expiration of the current CIT credit facility would have a material adverse effect on Hudson's operations and financial condition. As a result of this uncertainty, Hudson's independent auditors have added an explanatory paragraph regarding Hudson's ability to continue as a going concern.

Effective March 19, 1999, Hudson sold 75% of its stock ownership in ESS to one of ESS's founders. The consideration for Hudson's sale of its interest was $100,000 in cash and a six-year 6% interest bearing note in the amount of $380,000. Hudson has recognized as income the portion of the proceeds associated with the note receivable upon the receipt of cash. This sale did not have a material effect on Hudson's financial condition or results of operations. Effective October 11, 1999, Hudson sold to three of ESS's employees an additional 5.4% ownership in ESS. Hudson received $37,940 from the sale of this additional ESS stock. Effective April 18, 2000, ESS redeemed the balance of Hudson's stock ownership in ESS. Hudson received cash in the amount of $188,000 from the redemption. Pursuant to an agreement dated January 22, 2002, ESS and Hudson agreed to a 16% discount of the outstanding balance on the note receivable. On January 25, 2002, as part of a capital financing completed by ESS, ESS paid Hudson $231,951, representing the discounted balance as of that date, as full satisfaction of the note receivable and as of that date Hudson recognized the proceeds as other income.

In November 2002, Hudson consummated the private sale of Bridge Notes to a limited number of purchasers, for which it received gross proceeds of $655,000. The Bridge Notes were for a term of one year and were subordinate in payment to Hudson's obligations under its credit facility with CIT. In accordance with the terms of the Bridge Notes, each of the purchasers, at their option, elected to defer quarterly interest payments which were to be added to the principal amount of the Bridge Notes as of each interest payment date and which accrued interest would, in turn, accrue interest at 12% per annum. The Bridge Notes automatically exchanged for convertible notes identical in terms to the Convertible Notes, upon approval of such exchange by Hudson's shareholders, which approval was obtained at the annual meeting on December 20, 2002.

Effective December 2002, Hudson consummated the private sale of Convertible Notes to a limited number of purchasers, for which it received gross proceeds of $495,000. At or about the same time, the Bridge Notes were cancelled and exchanged for the convertible notes identical in terms to the Convertible Notes in a principal amount equal to the outstanding principal amount of the Bridge Notes immediately prior to the exchange together with accrued and unpaid interest thereon. For purposes of this prospectus, the convertible notes issued in exchange for the Bridge Notes are included in the term "Convertible Notes." The Convertible Notes have a term of two years and earn interest at an annual rate of 10% payable quarterly in arrears. Holders of the Convertible Notes had the one time option to elect to either receive payments of interest on a quarterly basis, subject to limitations described below, or defer quarterly interest payments, in which case, interest would be added to the outstanding amount of the Convertible Notes on each quarterly payment date and accrue interest at the then effective Convertible Notes interest rate. The Convertible Notes are unsecured and subordinate in payment to Hudson's obligations under its credit facility with CIT. The Convertible Notes may not be prepaid in cash by Hudson without the prior consent of CIT and payment of interest, if any, in cash on any scheduled quarterly interest payment date is limited to an aggregate of $20,000 per calendar year. Holders of the Convertible Notes have the right to convert all or a portion of the outstanding principal balance, and any accrued interest thereon, to common stock of Hudson, upon, but not prior to, the first anniversary of the issuance of the Convertible Notes. The initial conversion rate of these Convertible Notes was $.79 per share.

On April 15, 2003 Hudson issued an additional $500,000 principal amount of Convertible Notes to the holders of the Series A Preferred Stock. The April 15, 2003 note issuance is identical to the December 2002 issuance, except that the conversion rate of these Convertible Notes is $1.41 per share.

The conversion rate of the Convertible Notes is subject to adjustment on a full ratchet basis; this means that if Hudson issues any stock at a price less than the conversion rate, the conversion rate for all shares issuable upon conversion of the Convertible Notes will be adjusted downward to such price. This adjustment is applicable in certain events including Hudson's issuance of common stock, warrants or rights to purchase common stock or securities convertible into common stock in each case for a consideration per share which is less than the then-effective conversion rate of the Convertible Notes. The anti-dilution adjustment would not apply, however where Hudson issues shares subject to stock options under or reserved for option grants under any shareholder approved stock option plan or upon exercise or conversion of options, warrants or other exercisable or exchangeable equity or debt securities that were outstanding immediately prior to the issuance of the Convertible Notes. In addition, the conversion rate is subject to an appropriate adjustment in the event of: (i) any subdivisions, combinations and reclassifications of Hudson's common stock; (ii) any payment, issuance or distribution by Hudson to its stockholders of a stock dividend; (iii) the consolidation or merger of Hudson with or into another corporation whereby Hudson is not the surviving entity; or (iv) the sale by Hudson of substantially all of its assets.

The Convertible Notes provide that in the event of an equity offering by Hudson at any time prior to the first anniversary of the issuance of the Convertible Notes, for gross proceeds of not less than $2 million (inclusive of the application of all outstanding principal and interest of the Convertible Notes), all outstanding principal and interest, if any, on the Convertible Notes shall be either (i) applied to the purchase of equity securities in the equity offering at the public offering purchase price, or (ii) converted into restricted shares of common stock at the then effective conversion rate. Holders of the Convertible Notes have the right to determine, to the extent that securities are available for purchase in the equity offering, whether to apply the Convertible Notes to acquire such equity securities sold in the equity offering or convert the Convertible Notes into common stock; provided, however, that in the event that all or a portion of outstanding principal and interest, if any, of the Convertible Notes exceeds the number of equity securities available in the equity offering, the balance of the Convertible Notes not applied to the purchase of equity securities will be converted into restricted shares of common stock at the then-effective conversion rate.

In April 2003, the holders of $495,000 principal amount of Convertible Notes acquired as of December 2002 entered into agreements with Hudson whereby the holders agreed to modify the conversion rate of their Convertible Notes to the modified conversion rate of $1.13 which was the average closing sale price of Hudson's common stock as reported on the NASDAQ SmallCap Market for the five business days immediately preceding the execution of the modification agreements; provided further, that, in the event of an equity offering by Hudson prior to the first anniversary of the issuance of the Convertible Notes, at a public offering price which includes the exercise price of stock purchase rights offered in the equity offering) below the modified Conversion Rate but in excess of $.79, the conversion rate of the Convertible Notes will be adjusted to not less than the public offering price.

Hudson is obligated to issue to the holders of the Convertible Notes, on the earlier of (a) the first anniversary of their respective date of issuance, or (b) the consummation by Hudson of an equity offering, warrants to purchase an aggregate number of shares of common stock equal to 10% of the number of shares of common stock into which the Convertible Notes were convertible at

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their date of issuance. Each warrant will be exercisable to purchase one share of common stock for a period of five years from issuance at an exercise price equal to 110% of the lesser of (i) the conversion rate of the Convertible Notes as of their date of issuance, or (ii) the conversion rate of the Convertible Notes on the date of issuance of the warrants. The exercise price of the warrants will be subject to anti-dilution adjustment on terms substantially similar to anti-dilution adjustment of the conversion rate of the Convertible Notes. As of December 20, 2002, Hudson has recognized an original issue discount of $220,000 in connection with the issuance of the warrants.

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

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

The Series A Preferred Stock provides for anti-dilution adjustment of the conversion price in the event of the subsequent offering by Hudson of securities for consideration per share less than the then-effective conversion price of the Series A Preferred Stock. At the direction of the NASDAQ Stock Market, Inc., a minimum conversion price floor of $1.78 per share, below which the conversion price of the Series A Preferred Stock could not be adjusted, had been instituted by Hudson and the holders of the Series A Preferred Stock by amendment to the designation of the Series A Preferred Stock, and at the same time Hudson agreed not to offer securities for consideration per share less than the $1.78 conversion price floor without the consent of the holders of the Series A Preferred Stock. Subsequently, in consideration for the consent of the holders of the Series A Preferred Stock to Hudson's engagement in the private offering of the Convertible Notes at a conversion price below the $1.78 conversion price floor, the stockholders of Hudson, at the annual meeting on December 20, 2002, voted in favor of a proposal to remove the $1.78 conversion price floor and the designation of the Series A Preferred Stock was amended accordingly. Although the holders of the Series A Preferred Stock agreed to waive their rights to an immediate downward adjustment of the current $2.375 conversion price of the Series A Preferred Stock in connection with the issuance of the Convertible Notes, any subsequent conversion of the Convertible Notes will result in a downward adjustment of the conversion price of the Series A Preferred Stock to equal the then effective conversion rate of the Convertible Notes. Consequently, upon conversion of the Convertible Notes at the $.79 per share conversion rate, the anti-dilution provisions of the Series A Preferred Stock will cause the conversion rate of the Series A Preferred Stock to adjust downward to the $.79 per share. Assuming that the Series A Preferred Stock converts to common stock at a conversion price of $.79 per share and based upon 120,782 shares of Series A Preferred Stock issued as of March 30, 2003, the holders of the Series A Preferred Stock would receive 15,288,860 shares of common stock. Similarly, the conversion price of such Series A Preferred Stock may be adjusted to equal the consideration received by Hudson in connection with any issuance of securities, such as that contemplated in this offering, below $2.375.

The Series A Preferred Stock has voting rights on an as-if converted basis. The number of votes applicable to the Series A Preferred Stock is equal to the number of shares of common stock into which the Series A Preferred Stock is then convertible. The designation of the Series A Preferred Stock provided for a proxy granted by the holders of the Series A Preferred Stock in favor of certain of Hudson's officers to vote all shares of common stock into which the Series A Preferred Stock converts including any additional shares subsequently acquired by such holders in excess of 29% of the votes entitled to be cast by the Series A Preferred Stock holders. As noted above, in consideration for consent of the holders of the Series A Preferred Stock to Hudson's engagement in the private offering of the Convertible Notes at a conversion rate below the $1.78 conversion price floor, the stockholders of Hudson, at the annual meeting on December 20, 2002, voted in favor of a proposal to remove the proxy from the designation of the Series A Preferred Stock and the designation of the Series A Preferred Stock was amended accordingly. The Series A Preferred Stock carries a dividend rate of 7%, which will increase to 16%, if the stock remains outstanding on or after March 31, 2004. Hudson used the net proceeds from the issuance of the Series A Preferred Stock to expand its RefrigerantSide(R) Services business and for working capital purposes.

Hudson pays dividends, in arrears, on the Series A Preferred Stock, semi-annually, either in cash or additional shares, at Hudson's option. On March 30 and September 30, 2002, and March 30, 2003 Hudson declared and paid, in-kind, the dividends on the outstanding Series A Preferred Stock and issued 3,873 and 4,011 and 4,153, respectively, additional shares of

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

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

Hudson is continuing to evaluate opportunities to rationalize its operating facilities and its depot network based on ways to reduce costs or to increase revenues. We expect that this evaluation will result in a consolidation of certain of our facilities. Hudson is also considering whether to reduce or eliminate certain of its operations that have not performed to its expectations. Moreover, as we begin to implement our sales and marketing strategy to focus on industry rather than geographic markets we may discontinue certain operations, eliminate depot and overhead costs and, in doing so, may incur future charges to exit certain operations.

Hudson believes that it will be able to satisfy its working capital requirements for the immediate future from anticipated cash flow from operations and available funds under its credit facility with CIT and any replacement facility it enters into after the expiration of the current term of the CIT facility. Although Hudson believes it can obtain replacement financing for the CIT facility there can be no assurance that it will do so. Moreover, even if Hudson obtains replacement financing for the CIT facility it believes that it will need additional financing during 2003 to support its continuing operations. In addition, any unanticipated expenses, including, but not limited to, an increase in the cost of refrigerants purchased by Hudson, an increase in operating expenses or failure to achieve expected revenues from Hudson's depots and/or refrigerant sales or additional expansion or acquisition costs that may arise in the future would adversely affect Hudson's future capital needs. There can be no assurances that Hudson's proposed or future plans will be successful, and as such, Hudson may need to significantly modify its plans or it may require additional capital sooner than anticipated. Hudson is currently seeking to obtain additional financing through the issuance of debt and/or equity securities. There can be no assurance that Hudson will be able to obtain any additional capital on commercially reasonable terms or at all and its inability to do so would have a material adverse affect on Hudson.

Inflation

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

Reliance on Suppliers and Customers

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

During the year ended December 31, 2002, one customer accounted for 11% of Hudson's revenues. During the year ended December 31, 2001, one customer accounted for 15% of Hudson's revenues. The loss of a principal customer, or a decline in the economic prospects and purchases of Hudson's products or services by any such customer, could have a material adverse effect on Hudson's financial position and results of operations.

Seasonality and Fluctuations in Operating Results

Hudson'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 the introduction and/or retrofit or replacement of CFC-based refrigeration equipment by domestic users of refrigerants, the rate of expansion of Hudson's opera