

FutureFuel Corp.
Form 10-K
March 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

or

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

For the transition period from _____ to _____

Commission file number: 0-52577

FUTUREFUEL CORP.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

20-3340900

(I.R.S. Employer Identification No.)

8235 Forsyth Blvd., 4th Floor

Clayton, Missouri 63105

(Address of Principal Executive Offices, including Zip Code)

(314) 854 - 8385

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.0001	New York Stock Exchange

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

None

(Title of class)

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

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

Note —Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

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State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$283,248,378

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 43,715,832

Table of Contents

Page	
Part I	
Item 1. Business.	1
Item 1A. Risk Factors.	15
Item 1B. Unresolved Staff Comments.	24
Item 2. Properties.	24
Item 3. Legal Proceedings.	25
Item 4. Mine Safety Disclosures.	25
Part II	26
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	26
Item 6. Selected Financial Data.	29
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.	30
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	42
Item 8. Financial Statements and Supplementary Data.	43
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	77
Item 9A. Controls and Procedures.	77
Item 9B. Other Information.	80
Part III	81
Item 10. Directors, Executive Officers, and Corporate Governance.	81
Item 11. Executive Compensation.	86
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	97
Item 13. Certain Relationships and Related Transactions, and Director Independence.	99
Item 14. Principal Accountant Fees and Services.	100
Part IV	102
Item 15. Exhibits and Financial Statement Schedules.	102

PART I

Item 1. Business

General Development of the Business

The Company

FutureFuel Corp. (sometimes referred to as the “Company,” “we,” “us,” or “our,” and includes our wholly owned subsidiaries) is a Delaware corporation.

Prior to 2011, our shares of common stock were quoted on the Over-the-Counter Bulletin Board (or OTC Bulletin Board). On March 8, 2011, the New York Stock Exchange (or “NYSE”) approved the listing of our common stock for trading on the exchange. Trading of our common stock on the NYSE commenced on March 23, 2011 under the symbol “FF”.

We distributed normal quarterly cash dividends of \$0.06 per share on our common stock for the calendar year 2015. Additionally, we have declared normal quarterly cash dividends of \$0.06 per share on our common stock for the calendar year 2016.

FutureFuel Chemical Company

FutureFuel Chemical Company, a wholly owned subsidiary of FutureFuel Corp., is a Delaware corporation and manufactures diversified chemical products, bio-based products comprised of biofuels, and bio-based specialty chemical products. We report FutureFuel Chemical Company’s operations in two reporting segments: chemicals and biofuels. The chemicals segment manufactures a diversified listing of chemical products that are sold to third party customers. The biofuels segment primarily produces and sells biodiesel to its customers.

The majority of the revenues from the chemicals segment are derived from the custom manufacturing of specialty chemicals for specific customers. We have actively worked to develop our chemicals business with new customers in more diversified growth markets.

Growth of our specialty chemicals business is based on a solid reputation as a technology-driven, highly reliable, and globally competitive specialty chemicals producer. We retain a strong emphasis on operational excellence, cost control, and efficiency improvements to enable us to take advantage of growth opportunities in the worldwide chemical industry.

With respect to our biofuels segment, our plant has a demonstrated capacity in excess of 58 million gallons per year. The plant ran at a reduced rate during 2015 as a result of the weakened market conditions for renewable fuel. Future production of biodiesel is uncertain and will depend on various factors including: (i) changes in feedstock prices relative to biodiesel prices; (ii) whether government mandates with respect to biodiesel usage remain in effect; (iii) whether certain tax credits with respect to biodiesel production remain in effect; and (iv) competitiveness and availability of foreign imports. See the discussion below, including “Risk Factors” beginning at page 15 below.

Financial Information about Segments

Unless otherwise noted, the financial data presented herein represents our consolidated operations for the twelve-month periods ended December 31, 2015, December 31, 2014, and December 31, 2013. Unless otherwise stated, all dollar amounts are in thousands. The following table sets forth: (i) our consolidated revenues from external customers for the years ended December 31, 2015, 2014, and 2013; (ii) our consolidated net income for the years ended December 31, 2015, 2014, and 2013; and (iii) our total assets at December 31, 2015, 2014, and 2013.

(Dollars in thousands)

Period	Revenues from	Net	Total
	External	Income	Assets
	Customers		
Year ended December 31, 2015	\$ 299,611	\$46,421	\$ 489,109
Year ended December 31, 2014	\$ 341,838	\$53,200	\$461,488
Year ended December 31, 2013	\$ 444,919	\$74,034	\$414,447

We have two business reporting “segments” as defined by accounting principles generally accepted in the United States (“GAAP”): chemicals and biofuels. We do not allocate net income and total assets between these two business segments, however, revenues from external customers and gross profit are allocated between the two business segments as set forth in the following table.

(Dollars in thousands)

Period	Revenues	Revenues	Total	Gross	Gross	Total
	from	from	Revenues	Margin	Margin	Gross
	Chemical	Biofuels	from	from	from	Margin
	Segment	Segment	External	Chemical	Biofuels	

			Customers	Segment	Segment	
Year ended December 31, 2015	\$ 125,848	\$ 173,763	\$ 299,611	\$ 35,452	\$ 21,594	\$ 57,046
Year ended December 31, 2014	\$ 146,146	\$ 195,692	\$ 341,838	\$ 46,062	\$ 19,911	\$ 65,973
Year ended December 31, 2013	\$ 161,501	\$ 283,418	\$ 444,919	\$ 54,708	\$ 45,457	\$ 100,165

See Note 20 to our consolidated financial statements contained in “Item 8. Financial Statements and Supplementary Data” for adjustments to segment gross profit to arrive at net income.

Narrative Description of Our Business

Principal Executive Offices

Our principal executive offices are located at 8235 Forsyth Blvd., 4th Floor, Clayton, Missouri 63105. Our telephone number is (314) 854-8385. FutureFuel Chemical Company’s principal executive offices are located at 2800 Gap Road, Highway 394 South, Batesville, Arkansas 72501-9680. Its telephone number is (870) 698-3000.

Plant Location

We own approximately 2,200 acres of land six miles southeast of Batesville in north central Arkansas fronting the White River. Approximately 500 acres of the site are occupied with batch and continuous manufacturing facilities, laboratories, and associated infrastructure, including on-site liquid waste treatment. Land and infrastructure are available to support expansion and business growth. In November 2011, we acquired a nearby warehouse in Batesville, Arkansas.

Operations

For the year ended December 31, 2015, approximately 58% of our revenue was derived from biofuels, 36% from manufacturing specialty chemicals for specific customers (“custom manufacturing”), and 6% of revenues from multi-customer specialty chemicals (“performance chemicals”).

Our biofuels business segment primarily involves the production and sale of biodiesel and petrodiesel blends and the buying, selling, and shipping of refined petroleum products on common carrier pipelines. Custom chemicals manufacturing involves producing unique products for strategic customers, generally under long-term contracts. Our custom chemicals manufacturing product portfolio includes agrochemicals and intermediates, detergent additives, biocides intermediates, specialty polymers, dyes, stabilizers, and chemicals intermediates. Our performance chemicals product portfolio includes polymer modifiers that enhance stain resistance and dye-ability to nylon and polyester fibers, in addition to several small-volume specialty chemicals and solvents for diverse applications.

We are committed to growing our biofuels and chemical businesses. For the biofuels business segment, we will continue to leverage our technical capabilities and quality certifications, secure local and regional markets, and expand marketing efforts to fleets and regional/national customers. For our chemicals segment, we intend to pursue commercialization of other products, including building block chemicals. While pursuing this strategy, we will continue our efforts to establish a name identity for both segments.

Biofuels Business Segment

Biofuel Products

Our biofuels business segment began in 2005 and primarily produces and sells biodiesel. In addition, we sell petrodiesel in blends with our biodiesel and, from time to time, with no biodiesel added. Our biofuels segment also includes the financial results of a granary in central Arkansas that we acquired in March 2009. Finally, we are a shipper of refined petroleum products on common carrier pipelines, and we buy and sell petroleum products to maintain our active shipper status on these pipelines.

Biodiesel is a renewable energy product consisting of mono-alkyl esters of fatty acids. The mono-alkyl esters are typically produced from vegetable oil, fat, or grease feedstocks. Biodiesel is used primarily as a blend with petrodiesel

(usually 5% (commonly referenced as “B5”) to 20% (commonly referenced as “B20”) by volume). A major advantage of biodiesel is that it can be used in most existing diesel engines and fuel injection equipment in blends up to B20 with no material impact to engine performance. As an additional benefit, biodiesel is the only alternative fuel to meet all testing requirements of the Clean Air Act. In 1998, Congress approved the use of biodiesel as an Energy Policy Act compliance strategy, which allowed federal, state, and public fleets covered by this Act to meet their alternative fuel vehicle purchase requirements by simply buying biodiesel and burning it in new or existing diesel vehicles in a minimum B20 blend). Finally, biodiesel also benefits from favorable properties compared to petrodiesel (e.g., negligible sulfur content, lower particulate matter, lower greenhouse gas emissions, and a higher cetane number leading to better engine performance and lubrication). See Pew Center on Global Climate Change (“Pew Center”) biodiesel factsheet <http://www.c2es.org/technology/factsheet/biodiesel> and July 2011 Biodiesel Climate Techbook, http://www.c2es.org/docUploads/Biodiesel_0.pdf.

Our technical and operational competency acquired as a supplier of specialty chemicals enabled the development of a flexible manufacturing process which can utilize a broad range of feedstock oils, including, but not limited to, soy oil, cottonseed oil, pork lard, poultry fat, crude corn oil, yellow grease, inedible tallow, choice white grease, and beef tallow. Our Batesville plant produces biodiesel, which is sometimes referenced as “B100.” A blend is currently used in the facility’s diesel fleet and is available for retail sale at the site. In 2009, we began offering B100, biodiesel blended with petrodiesel (B2, B5, B10, and B20 blends), and petrodiesel at our leased storage facility in Little Rock, Arkansas. In addition, we deliver blended product to a small group of customers within our region.

Biodiesel Production/Capacity

While biodiesel can be made from various renewable sources, the choice of feedstock to be used at any particular facility is determined primarily by the price and availability of each feedstock variety, the yield loss of lower quality feedstock, and the capabilities of the producer's biodiesel production facility. In addition, the chemical properties of the biodiesel (e.g., cloud point, pour point, and cetane number) depend on the type of feedstock. EIA, Monthly Biodiesel Production Report, <http://www.eia.gov/biofuels/biodiesel/production>.

In the United States, the majority of biodiesel historically has been made from domestically produced crude soybean oil due to its relatively low price. See *ibid.* Since we started our biodiesel production, the cost of crude soybean oil has increased due in part to its use in biodiesel production and competing food demands. As a result, the biodiesel feedstock market in the United States is in a transition from this increasingly expensive first-generation soy feedstock to alternative second-generation lower-cost, non-food feedstocks such as waste vegetable oil, tallow, and algae. See <http://www.emerging-markets.com/biodiesel/index.html>. Accordingly, we redesigned our continuous line to produce biodiesel from these second-generation lower-cost feedstocks with high-free fatty acids. From the redesigned line, the plant has demonstrated a production capacity in excess of 58 million gallons of biodiesel per year.

Legislative Incentives

The acceptance of biodiesel in the United States in the latter part of the 20th century and continuing into this century has been driven to a great degree by legislative initiatives at both the federal and state levels.

Federal Renewable Fuels Mandate

The largest incentive at this time is the federal mandate enacted by Congress as part of the Energy Policy Act of 2005 (the "2005 Act"). The 2005 Act included a number of provisions intended to spur the production and use of biodiesel. In particular, the 2005 Act's provisions included biodiesel as part of the minimum volume (i.e., a mandate) of renewable fuels (the "renewable fuels standard" or "RFS") to be included in the nationwide gasoline and diesel pool. More specifically, the RFS requires a specific amount of renewable fuel to be used each year in the nationwide gasoline and diesel pool. The volume increased each year, from 4 billion gallons per year in 2006 to 16.55 billion gallons per year in 2013. The 2005 Act required the Environmental Protection Agency (the "USEPA") to publish "renewable fuel obligations" applicable to refiners, blenders, and importers in the contiguous 48 states. The renewable fuel obligations are expressed in terms of a volume percentage of gasoline sold or introduced into commerce and consist of a single applicable percentage that applies to all categories of refiners, blenders, and importers. The renewable fuel obligations are based on estimates that the Energy Information Association provides to the USEPA on the volumes of gasoline it expects will be sold or introduced into commerce. The USEPA released the final rules to implement the RFS on

April 10, 2007. Under those rules, the RFS compliance period began on September 1, 2007. No differentiation was made among the various types of renewable fuels (e.g., biodiesel or ethanol).

On December 19, 2007, the Energy Independence and Security Act of 2007 (the “2007 Act”) was enacted which, among other things, expanded the RFS (the “RFS2”). Prior to the enactment of the 2007 Act, the RFS requirement was mostly filled by ethanol. In contrast to its predecessor, the 2007 Act provided a renewable fuel standard carve-out specifically applicable to biodiesel. On July 1, 2010, RFS2’s biodiesel requirement became effective, thus requiring that a certain percentage of the diesel fuel consumed in the United States be made from renewable sources. The biodiesel mandate rose annually and reached 1.28 billion gallons per year in 2013. Currently, the mandate is determined by the USEPA in coordination with the U.S. Secretaries of Energy and Agriculture. On November 30, 2015, the USEPA finalized the volume requirements and percentage standards under the RFS2 program for 2014, 2015, and 2016 for cellulosic biofuel, biomass based diesel, advanced biofuel, and total renewable fuel.

The USEPA also finalized the volume requirement for biomass-based diesel in 2017. Biodiesel standards grew steadily over the next two years increasing to 2 billion gallons by 2017 as shown in the following table.

	Final Renewable Fuel Volumes ^{(1) (2)}			
	2014	2015	2016	2017
Cellulosic biofuel (million gallons)	33	123	230	n/a
Biomass-based diesel (billion gallons)	1.63	1.73	1.90	2.00
Advanced biofuel (billion gallons)	2.67	2.88	3.61	n/a
Renewable fuel (billion gallons)	16.28	16.93	18.11	n/a

(1) Units for all volumes are ethanol-equivalent, except for biomass-based diesel volumes, which are expressed as physical gallons.

(2) See <https://www.epa.gov/renewable-fuel-standard-program/final-renewable-fuel-standards-2014-2015-and-2016-and-biomass-b>

U.S. biomass-based diesel production, of which biodiesel represents a significant amount, exceeded the federal mandate from 2011 through 2015 as shown in the following chart:

Biomass Production Source: Total U.S. production of renewable fuels in the RFS2 program broken out by fuel type and category is reported by the USEPA at

<http://www.epa.gov/fuels-registration-reporting-and-compliance-help/2015-renewable-fuel-standard-data>.

Federal Blenders' and Producers' Credits

Biodiesel tax incentives have been provided through various federal statutes, including the 2005 Act and the American Jobs Creation Act, and later, the Emergency Economic Stabilization Act of 2008. The most important of these is the one dollar per gallon blenders' tax credit ("BTC") applicable to all biodiesel. Although this credit has lapsed and been reinstated numerous times over the last decade, in late 2015 the BTC was reinstated retroactively to January 1, 2015 and will remain in place through at least December 31, 2016.

We also benefit from a "small" agri-biodiesel producers' tax credit for production in capacity not in excess 60 million gallons per year. This credit of \$0.10 per gallon applies to the first 15 million gallons of agri-biodiesel sold. See <https://www.irs.gov/pub/irs-pdf/i8864.pdf>. Like the BTC, the small agri-biodiesel credit is currently effective and will remain in place through December 31, 2016.

Other Federal Incentives

Agencies of the United States government, including the Department of Energy, the USEPA, the Internal Revenue Service, the Department of Agriculture, and the Department of Transportation, offer biodiesel incentives in addition to the mandate discussed above. Some of these federal incentives do not directly reduce the net cost of producing or blending biodiesel but do increase the demand for biodiesel. For example, tax credits are available under the Internal Revenue Code for investment in qualifying refueling property, the USEPA will pay 50-100% of the cost for schools to upgrade and/or replace their buses, and programs administered by the Department of Energy indirectly require government fleet operators to purchase substantial amounts of biodiesel.

The Energy Policy Act of 1992 requires government fleet operators to use a certain percentage of alternatively fueled vehicles. The Act established a goal of replacing 10% of motor fuels with non-petroleum alternatives by 2000, increasing to 30% by the year 2010. Currently, 75% of all new light-duty federal vehicles purchased are required to have alternative fuel capability to set an example for the private automotive and fuel industries.

Under the Energy Conservation Reauthorization Act of 1998, vehicle fleets that are required to purchase alternatively fueled vehicles can generate credit toward this requirement by purchasing and using biodiesel in a conventional vehicle. Since there are few cost-effective options for purchasing heavy-duty alternatively fueled vehicles, federal and state fleet providers can meet up to 50% of their heavy-duty alternatively fueled vehicle purchase requirements with biodiesel. The biodiesel fuel credit allows fleets to purchase and use 450 gallons of biodiesel in vehicles in excess of 8,500 pounds gross vehicle weight instead of alternatively fueled vehicles. Fleets must purchase and use the equivalent of 450 gallons of pure biodiesel in a minimum of a 20% blend to earn one credit. Covered fleets earn one vehicle credit for every light-duty alternatively fueled vehicle they acquire annually beyond their base vehicle acquisition requirements. Credits can be banked or sold.

The federal government offers other programs that benefit our biofuels segment, such as the alternative fuel infrastructure credit, the clean school bus program, and the national clean diesel program.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 was enacted which, among other things, appropriated monies to support various investments and offered incentives (such as tax credits, grant programs, and other funding) for projects related to alternative fuels, energy independence, and renewable energy technologies. For example, the Department of Energy was provided with \$800 million for projects related to biomass, and \$2 billion was made available for grants for manufacturing advanced battery systems and electric vehicle components to support domestic manufacturing of advanced lithium ion batteries and hybrid electric systems. We were the recipient of a portion of these grants. See the discussion under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations. - Department of Energy Grant” beginning at page 40 below.

State Incentives

Many states follow the federal government’s lead and are offering similar programs and incentives to spur biodiesel production and use. For example, Arkansas offers a tax refund of \$0.50 for each gallon of biodiesel used by a supplier to produce a biodiesel/petrodiesel mixture of not more than 2% biodiesel. In April 2007, Arkansas passed legislation that provided for a \$0.20 per gallon biodiesel producer credit and up to \$50 in grants per site for biodiesel producers and distributors to install distribution infrastructure. The \$0.20 per gallon Arkansas producer credit was capped at 10 million gallons of production, or \$2 million, per defined time intervals. We applied for, and received, the credit for time intervals through June 30, 2009. No funding was available for this program in 2010 through 2015. However, we intend to apply for the credit in future years when and as such credit is available.

Our review of state statutes reveals that virtually all states provide user or producer incentives for biodiesel, several states provide both types of incentives, and more than 35 states provide incentives to biodiesel producers to build facilities in their states, typically offering tax credits, grants, and other financial incentives. As we expand our business, we will evaluate these additional state incentives to determine if we qualify.

Summary

We will continue to identify and pursue other legislative incentives to support our business. However, no assurances can be given that we will qualify for any such incentives or, if we do qualify, what the amount of such incentives will be or whether such incentives will continue to be available.

Quality

For quality specification purposes, and to qualify for the federal mandate, biodiesel must meet the requirements of American Society for Testing and Materials (“ASTM”) D6751. This specification ensures that blends up to B20 are compatible with diesel engines and associated fuel system hardware. See *Status and Issues for Biodiesel in the United States*, National Renewable Energy Laboratory, R.L. McCormick et. al., Oct. 2009. All biodiesel manufactured at our Batesville plant is tested in on-site quality control laboratories and confirmed to meet, and typically exceed, the ASTM D6751 standard. Because our biodiesel exceeds industry standard specifications, we appeal to a broader customer base than our competitors.

Commercially available biodiesels can contain small amounts of unreacted or partially reacted oils and fats as well as other minor impurities. The unreacted or partially reacted oils and fats are called glycerides. In rare instances the glycerides and other minor components and impurities can clog engine filters. To address this issue, ASTM D6751 was amended in February 2012 to create two new grades of biodiesel. Grade No. 2 is essentially the specifications in effect before the amendment. Grade No. 1 provides for a maximum total monoglyceride content and a maximum cold soak filterability time and in theory would be used where the No. 2 biodiesel does not operate down to its cloud point. Both grades of biodiesel qualify as “biodiesel” for purposes of the RFS2 mandate. FutureFuel continues to operate under the most recently published version of ASTM D6751, Standard Specifications for Biodiesel Fuel Blend Stock (B100) for Middle Distillate Fuels. All biodiesel made in our continuous process meets the specifications for No. 1 biodiesel.

The U.S. biodiesel industry created the BQ-9000 program to address quality issues that arose during the early years of the industry. This program is run by the National Biodiesel Accreditation Committee, which is a cooperative and voluntary program for the accreditation of biodiesel producers and marketers. The program is a quality system oriented program that includes standards for storage, sampling, testing, blending, shipping, distribution, and fuel management practices. Since the creation and adoption of the BQ-9000 program, the quality of biodiesel in the U.S. market has markedly improved. Our plant has operated as a BQ-9000 accredited production facility since 2006.

The ISO 9000 family of standards represents an international consensus on good quality management practices. It consists of standards and guidelines relating to quality management systems and related supporting standards. ISO 9001 provides a set of standardized requirements for a quality management system, regardless of what the user organization does, its size, or whether it is in the private or public sector. It is the only international standard against which organizations can be certified, although certification is not a compulsory requirement of the standard. Our plant is an ISO 9001 accredited production facility for both chemicals and biofuels.

Renewable Identification Numbers

As noted above, the RFS2 mandates levels of various types of renewable fuels that are to be blended with U.S. gasoline and diesel fuel by U.S. refiners, blenders, and importers. Renewable Identification Numbers (“RINs”) are the mechanism for ensuring that the prescribed levels of blending are reached. As ethanol and biodiesel is produced or imported, the producer or importer has the responsibility to report the activity in the USEPA’s Moderated Transaction System (“EMTS”) where a series of numbers (i.e., a RIN) is assigned to their product. Assignment is made according to guidelines established by the USEPA. Currently, 1½ RINs are assigned for each gallon of biodiesel produced. When biofuels change ownership to the refiners, importers, and blenders of the fuel, the RINs are also transferred. The RINs ultimately are separated from the renewable fuel generally at the time the renewable fuel is blended. The refiners, importers, and blenders generally use the RINs to establish that they have blended their applicable percentage of renewable fuels during the applicable reporting period. However, once the RINs are separated from the underlying biofuels (e.g., by blending the underlying biodiesel with petrodiesel), they can also be sold separate and apart from the underlying biofuel.

We generate RINs with our biodiesel. At times, we sell biodiesel with the RIN attached to the fuel. If we blend the biodiesel with petrodiesel in blends of B80 or less (e.g., B5 or B20), we can either sell the RINs with our blended biodiesel or we can sell them as a separate, free-standing instrument removed from the biodiesel. The decision of whether or not to separate the RINs from the blended biodiesel depends on the desires of the customer and market conditions for separated RINs, particularly, market prices. While biodiesel RINs continue to be traded through market makers, no assurances can be given that a separate market for RINs will be sustained or what value will be realized upon the sale of biodiesel RINs.

The USEPA issued a proposed rule on February 21, 2013 to establish a voluntary Quality Assurance Program (“QAP”) to verify the validity of renewable identification numbers under the RFS Program. We voluntarily registered in the program as a QAP B participant in 2013. On July 18, 2014, the USEPA issued the final rule. All of our 2013, 2014, and 2015 RINs were verified in accordance with the final rule. See <https://www.gpo.gov/fdsys/pkg/FR-2014-07-18/pdf/2014-16487.pdf>.

Byproducts

Glycerin

A byproduct of the biodiesel process is crude glycerin, which is produced at the rate of approximately 10% by mass of the quantity of biodiesel produced. Increased production of biodiesel in Brazil, Argentina, Indonesia, and Malaysia resulted in excess glycerin being produced by the biodiesel industry in 2015. See

<http://www.icis.com/resources/news/2015/12/31/9952515/outlook-16-us-glycerine-market-faces-long-supply/>. Crude glycerin as generated from biodiesel production is commonly sold into the feed market for limited value, the price of which is determined by supply and corn commodity prices.

Biodiesel producers may sell their crude glycerin to large refineries for upgrading. Because of the influx of crude glycerin into the market from biodiesel producers, producers currently are receiving only minimal value for this byproduct. Crude glycerin can be refined into a pure form and then used in higher value markets such as specialty chemical production, agricultural chemistry, food, pharmaceutical, and/or cosmetic applications. In 2014, we added the capability to refine our crude glycerin to an industrial grade with higher value applications. We currently market both crude and industrial grade glycerin, with our product mix dependent upon refining capacity, product specifications, prices, and other market conditions.

Biodiesel Residue

An additional byproduct of the biodiesel production process is biodiesel residue. We utilize distillation columns in our biodiesel production process. Biodiesel residue accumulates in these columns as biodiesel is produced. This is a low priced commodity that we aggregate and sell to multiple customers, primarily for use in Bunker C #6 oil and as an asphalt release agent.

Biodiesel Production Capacity

According to Biodiesel Magazine, as of December 8, 2015, there were 166 biodiesel plants in existence in the United States. These plants had a combined annual nameplate production capacity of 2,756.06 million gallons. See <http://www.biodieselmagazine.com/plants/listplants/USA/>. An additional 15 plants were under construction with a combined nameplate production capacity of 326.25 million gallons, for a total built-out capacity of 3,082.31 million gallons. See <http://www.biodieselmagazine.com/plants/listplants/USA/construction/>.

Because both current and anticipated biodiesel production capacities exceed the federal mandate, we believe that price competition and their biodiesel industry will continue to be highly competitive.

The majority of biodiesel nameplate production capacity was built to use higher cost crude vegetable oil, usually soybean oil, as its only feedstock. Many of these plants are being consolidated and retrofitted to accommodate lower cost feedstocks.

Customers and Markets

Biodiesel and biodiesel blends are currently used in nearly all of the end markets where petrodiesel is used. Most biodiesel in the United States is consumed in the on-road diesel fuel market, although some is used for off-road purposes such as farming, residential/commercial heating oil, and power generation.

We currently market our biodiesel products by truck, rail, and barge directly to customers in the United States. Through the utilization of liquid bulk storage facilities and barge loading capabilities, we are positioned to market biodiesel throughout the United States for transportation and home heating fuel usage. Although the regional market is still being developed, we estimate that the regional direct market available to us at maturity will be at least 30 million gallons per year.

For the twelve months ended December 31, 2015 and 2014, two of our customers represented approximately 57% and 52% of our biofuels revenues (33% and 30% of total revenues), respectively, with the remaining biofuels revenues spread across multiple other customers. We do not have a contract with either primary customer, but rather sell on the basis of monthly or short-term, multi-month purchase orders placed with us by this customer at prices based upon then-prevailing market rates. We do not believe that the loss of either customer would have a material adverse effect on our biofuels segment or on us as a whole in that: (i) biofuels are a commodity with a large potential customer base; (ii) we believe that we could readily sell biofuels to other customers; (iii) the prices we receive from these customers are based upon then-market rates; and (iv) our sales to the customers are not under fixed terms and the customers have no obligation to purchase any minimum quantities except as stipulated by short term purchase orders.

In 2015, U.S. imports of biodiesel rose approximately 30% to an estimated 670 million gallons from 510 million gallons in 2014. As imports continue to take a larger share of the U.S. market, the U.S. biodiesel industry continues to lobby for a reformation of the BTC as a U.S. domestic production credit. *Biodiesel Production Rises in 2015 as Consumers Seek Cleaner Fuels*. The National Biodiesel Board. January 25, 2016.

Competition

We compete with other producers of biodiesel locally, regionally, nationally, and with foreign imports. The principal methods of competition in the biodiesel industry are price, supply reliability, biodiesel quality, and RIN integrity, i.e., the degree of confidence the market maintains in the validity of a biodiesel producer's RINs. The largest producers in terms of production capacity of biodiesel in the United States in 2015 were Renewable Energy Group, Inc., RBF Port Neches LLC, Green Earth Fuels of Houston LLC, Louis Dreyfus Agricultural Industries LLC, Archer Daniels Midland Co. - Velva, Elevance Natchez Inc., Delta BioFuels Inc., FutureFuel Chemical Company, Ag Processing Inc., and Cincinnati Renewable Fuels LLC. See <http://www.biodieselmagazine.com/plants/listplants/USA/>. Additionally,

we compete with numerous other smaller producers and evolving cellulosic based biodiesel technologies.

Furthermore, the emergence of significant new supplies of natural gas in the U.S., primarily as a result of shale gas development, has increased the awareness of natural gas as a key component of the domestic U.S. energy supply and has lowered natural gas prices. Natural gas use in the transportation sector is likely to increase. See <http://mitei.mit.edu/publications/reports-studies/future-natural-gas>. Increased usage of natural gas may lead to declines in the demand for petrodiesel and biodiesel.

We cannot give any assurances that renewable diesel fuel, green diesel, natural gas or some other product produced by these or similar competing technologies will not supplant biodiesel as an alternative to conventional petrodiesel.

The biodiesel industry also is in competition with the petroleum-based diesel fuel industry. The biodiesel industry is small relative to the size of the petroleum-based diesel fuel industry and large petroleum companies have greater resources than we do. Without government incentives and requirements, biodiesel would likely be more expensive than petroleum-based diesel, making it difficult for biodiesel to compete with petroleum-based diesel on price.

Supply and Distribution

As a result of our feedstock-flexible process, we are able to source feedstock from a broad supplier base, which includes crude corn oil producers and pork, chicken, and beef rendering facilities from both national and regional suppliers. Crude corn oil has been sourced from several national and regional producers. All feedstocks are currently supplied by either rail or truck. We believe that an adequate supply of feedstocks can be sourced to support our anticipated production.

We sell biodiesel from our plant site as well as ship it to liquid bulk storage facilities for further distribution. Sales from our plant site are made by railcar and tank truck. Biodiesel is being delivered by Company-owned tank trucks and common carriers to a liquid bulk storage facility leased by us for distribution there and for further transportation by barge or tank truck.

Cyclical and Seasonality

Biodiesel producers have historically experienced seasonal fluctuations in demand for biodiesel. Biodiesel demand has tended to be lower during the winter in northern and Midwestern states due to concerns about biodiesel's ability to operate optimally in cold weather as compared to petrodiesel. This seasonal fluctuation has been strongest for biodiesel made from animal fats and used cooking oils. Biodiesel made from such feedstocks has a higher cloud point (which is the point at which a fuel begins to gel) than biodiesel produced from vegetable oils such as soybean, canola, or crude corn oil. This higher cloud point may cause cold weather performance issues. This historical seasonality appears to be decreasing as biodiesel blends are used in cold Midwestern states throughout the year.

The mandate for biodiesel usage as established by RFS2 may interject an additional seasonal fluctuation in our biodiesel business. Once the mandate for a calendar year is met, or is anticipated to be met, demand for biodiesel may decrease. We experienced this type of seasonal fluctuation in the fourth quarter of 2012 and 2013 resulting in reduced profitability on biodiesel. This seasonal fluctuation was less prevalent in 2014 and 2015 given the weakened market conditions and the absence of a renewable fuel mandate.

Outlook for the Biodiesel Industry/Our Future Strategy

The BTC was reinstated on December 18, 2015, and made retroactive to January 1, 2015 and effective through December 31, 2016. Based on analysis from industry analysts, it is anticipated that the U.S. biodiesel market may transition to larger plants, alternative feedstocks and second-generation technologies, resulting in consolidation among smaller, first-generation producers accompanied by a series of mergers and acquisitions in the field. Although it is unclear whether this trend will occur, if it does, we believe that producers who are proactive in responding to these changes can compete with foreign imports and benefit in this emerging market. These responses include: new and improved technologies; alternative feedstocks with higher yields; production scalability and flexibility options; supply chain, distribution and co-location strategies; the sale of RINs separate from the underlying biodiesel; and innovative risk management strategies. See <http://www.emerging-markets.com/biodiesel/index.html>.

Our future strategy for our biofuels segment is geared towards these responses. We have redesigned our continuous line to produce biodiesel from lower cost feedstock with high free fatty acids. Debottlenecking has increased our annual capacity to in excess of 58 million gallons per year. Projects are currently in progress to further debottleneck the plant to run at higher rates.

Notwithstanding our future strategy, our continued production of biodiesel may be severely limited or eliminated entirely in the event Congress eliminates the federal mandate of the RFS2. See “Risk Factors” beginning at page 15 below.

Chemicals Business Segment

Overview of the Segment

Our chemicals segment manufactures diversified chemical products that are sold to third party customers. This segment comprises two components: “custom manufacturing” (manufacturing specialty chemicals for specific customers); and “performance chemicals” (multi-customer specialty chemicals).

Chemical Products

Custom manufacturing involves producing unique products for strategic customers, generally under long-term contracts. Many of these products are produced under confidentiality agreements in order to protect each company’s intellectual property. This is a service-based business where customers value dependability, regulatory compliance, technical capabilities, responsiveness, product quality, process scale up and improvement, operational safety, and environmental protection. Our custom products are manufactured by continuous production, dedicated batch or general purpose batch mode depending on the volumes required. We are recognized as a strategic production partner to our key customers in this segment and our engineering and technology teams collaboratively work together with our customers to further develop the processes and drive continued improvement.

Our plant’s custom manufacturing product portfolio includes products that are used in the agricultural chemical, coatings, chemical intermediates, industrial and consumer cleaning, oil and gas, and specialty polymers industries. We historically have produced two significant products, or product families, within this particular portfolio. One of these products is our laundry detergent additive product, which is produced for a major detergent and consumer products manufacturer. The other of these was a proprietary herbicide and associated intermediates we produced for a former long-term customer. We ceased production for this legacy customer in 2014 and began the process of transitioning the equipment used for the production of the proprietary herbicide and intermediates into use for a different customer desiring a different proprietary herbicide. Our custom manufacturing business has grown with new customers in new markets, resulting in the customer for the laundry detergent additive product and the legacy proprietary herbicide customer playing a less significant role in our custom manufacturing portfolio.

Performance chemicals comprise multi-customer products which are sold based upon specification and/or performance in the end-use application. This portfolio includes a family of polymer (nylon and polyester) modifiers, glycerin products, and several small-volume specialty chemicals and solvents for diverse applications. In addition, we have recently been successful in growing our performance chemical business through new product development. New products include a family of acetal based solvents, including diethoxymethane, dimethoxymethane, dibutoxymethane, glycerol formal, and phenol sulfonic acid. In 2014, we added the capability to refine our crude glycerin to an industrial grade of glycerin for higher value specialty chemical applications.

Future Strategy

To build on and maintain our reputation as a technology-driven competitive chemical producer, we believe that we must continuously focus on customer relationship development, cost control, operational efficiency, capacity utilization, operational safety, and environmental protection to maximize earnings. The ability to utilize large-scale batch and continuous production processes and a continuous focus on process improvements allows us to compete effectively in the global custom manufacturing market and to remain cost competitive with, and for some products cost-advantaged over, our competitors. We intend to improve margins in this area of our business by careful management of product mix with regard to size of opportunity, timing to market, capital efficiency and matching of opportunities to assets and capabilities.

Customers and Markets

Our chemical products are used in a variety of markets and end uses, including detergent, agrochemical, automotive, oil and gas, coatings, nutrition, and polymer additives. Some of the chemical products can be cyclically driven by changes in energy and agricultural commodity prices. In the case of our custom manufacturing business, the customers are often the “brand owners” and therefore control factors related to demand, such as market development strategy. In such cases, we may be unable to increase or maintain our level of sales revenue for these products.

In September of 2015, we signed a contract amendment to extend the supply of our laundry detergent additive to our customer through 2018. This customer had previously expressed its intent to terminate the supply arrangement effective December 31, 2015, but it has now been reinstated on amended terms. The amendment (i) supersedes such customer’s notice of termination of the supply arrangement effective December 31, 2015; (ii) extends the term of the supply arrangement to December 31, 2018 (unless terminated earlier in accordance with the provisions of the purchase agreement, as amended); and (iii) provides for sales of the laundry detergent additive to this customer in reduced volumes with adjusted pricing during 2015-2018. This supply agreement allows us to sell certain formulations of the laundry detergent additive to third parties as a performance chemical. Sales of this product totaled less than 10% of our 2015 revenue. Demand for the laundry detergent additive has decreased in recent years. We continue to work collaboratively with our customer to assess their future demand, which may continue to decline. We are also working to find new customers for this product.

None of our chemical customers represented 10% or more of our 2015 consolidated sales revenues.

Competition

Historically, there have been significant barriers to entry for competitors with respect to specialty chemicals primarily due to the fact that the relevant technology and manufacturing capability has been held by a small number of companies. As technology and investment have increasingly moved outside of North America, competition from multi-national chemical manufacturers has intensified, primarily from manufacturers in India and China. We compete with these and other producers primarily based on price, customer service, technology, quality, and reliability. Our major competitors in this segment include large multi-national companies with specialty chemical business units and smaller independent producers. The multi-national competitors are often disadvantaged by poor responsiveness and customer service, while the small producers often have limited technology and financial resources. We believe that we are well positioned for growth due to the combination of our scale of operations, technical capabilities, reputation, and financial strength.

Supply and Distribution

Specialty chemicals are generally high unit value products sold in packaged, or low-volume bulk form, and for which distribution is a relatively minor component of cost. Most products are sold FOB the Batesville site for distribution globally. Similarly, raw materials for these products are comparatively higher-value components that are sourced globally. An exception will be the biofuels co-products, which will be recovered from local processing.

Cyclical and Seasonality

Some of the chemical products can be cyclical, driven by changes in energy prices and agricultural commodity prices. For example, demand for chemical products sold into energy exploration and transportation markets is influenced by oil prices. The use of chemical products in agricultural markets likewise is influenced by agricultural commodity prices. Supply and demand dynamics determine profitability at different stages of cycles and global economic conditions affect the length of each cycle. Despite sensitivity to cyclical in these industries, many of the products in the chemical segment provide stable earnings.

Backlog

The majority of our revenues are derived under custom manufacturing agreements with specific customers. These customers generally provide us with forecasts of demand on a monthly or quarterly basis. These forecasts are intended to enable us to optimize the efficiency of our production processes and generally are not firm sales orders. As such, we do not monitor or report backlog.

Intellectual Property

We consider our intellectual property portfolio to be a valuable corporate asset which we intend to expand and protect globally through a combination of trade secrets, confidentiality and non-disclosure agreements, patents, trademarks and copyrights. As a producer of a broad and diverse portfolio of chemicals, our intellectual property relates to a wide variety of products and processes acquired through the development and manufacture of over 300 specialty chemicals during the history of the site. Our primary strategy regarding our intellectual property portfolio will be to appropriately protect all innovations and know-how in order to provide our business segments with a technology-based competitive advantage wherever possible. In the chemicals business segment, custom manufacturing projects are primarily conducted within the framework of confidentiality agreements with each customer to ensure that intellectual property rights are defined and protected. In the biofuels business segment,

innovations and process know-how will be vigorously protected as appropriate.

As may be necessary, we will seek to license technologies from third parties that complement our strategic business objectives. Neither our business as a whole, nor any particular segment, is materially dependent upon any one particular patent, copyright, or trade secret. As the laws of many foreign countries do not protect intellectual property to the same extent as the laws of the United States, we can make no assurance that we will be able to adequately protect all of our intellectual property assets.

Research and Development

We devote considerable resources to our research and development programs, which are primarily targeted towards three objectives:

innovating, developing and improving biofuels processes, in particular biodiesel and other biofuels, including value-up technology and applications for co-products;

developing and improving processes for custom manufacturing products; and

innovating, developing and improving performance chemical products and manufacturing processes.

Our research and development capabilities comprise analytical chemistry competencies to assay and characterize raw materials and products, organic chemistry expertise applied across a breadth of reaction chemistries and materials, design and process engineering capabilities for batch and continuous processing of both solid and liquid materials, and proficiency in process safety to design and scale-up safe chemical manufacturing processes. We believe that these core competencies, established in support of the legacy chemical business, are applicable to building a technology-based position in biofuels and associated bio-based specialty products and expanding our performance chemicals product line.

Research and development expense incurred by us for the years ended December 31, 2015, 2014, and 2013 were \$2,741, \$3,168, and \$3,444, respectively. Substantially all of such research and development expense are related to the development of new products, services, and processes or the improvement of existing products, services, and processes.

Environmental Matters

Various aspects of our operations are subject to regulation by state and federal agencies. Biofuel and chemical operations are subject to numerous, stringent and complex laws and regulations at the federal, state and local levels governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may:

- require acquisition of permits regarding discharges into the air and discharge of waste waters;
- place restrictions on the handling and disposal of hazardous and other wastes; and;
- require capital expenditures to implement pollution control equipment.

Compliance with such laws and regulations can be costly and noncompliance can result in substantial civil and even criminal penalties. Some environmental laws impose strict liability for environmental contamination, rendering a person liable for environmental damages and cleanup costs without regard to negligence or fault. Moreover, there is strong public interest in the protection of the environment. Our operations could be adversely affected to the extent laws are enacted or other governmental action is taken that imposes environmental protection requirements that result in increased costs to the biofuels and/or chemical manufacturing industry in general. The following provides a general discussion of some of the significant environmental laws and regulations that impact our activities.

The federal Comprehensive Environmental Response, Compensation and Liability Act (or “CERCLA”), and analogous state laws, impose joint and several liability, without regard to fault or the legality of the original act, on certain classes of persons that contributed to the release of a hazardous substance into the environment. These persons include the owner and operator of the site where the release occurred, past owners and operators of the site, and companies that disposed or arranged for the disposal of hazardous substances found at the site. Responsible parties under CERCLA may be liable for the costs of cleaning up hazardous substances that have been released into the environment and for damages to natural resources. Additionally, it is not uncommon for third parties to assert claims for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants into the environment.

The federal Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (or “RCRA”), is the principal federal statute governing the management of wastes, including the treatment, storage and disposal of

hazardous wastes. RCRA imposes stringent operating requirements, and liability for failure to meet such requirements, on a person who is either a generator or transporter of hazardous waste or an owner or operator of a hazardous waste treatment, storage, or disposal facility. Many of the wastes generated in our manufacturing facility are governed by RCRA.

The federal Oil Pollution Act of 1990 (or “OPA”) and regulations there under impose liability on responsible parties for damages resulting from oil spills into or upon navigable waters, adjoining shorelines, or in the exclusive economic zone of the United States. A responsible party includes the owner or operator of an onshore facility. Effective December 31, 2015, OPA increased its liability limit for onshore facilities from \$350,000 to \$633,850. These liability limits may not apply if a spill is caused by a party’s gross negligence or willful misconduct, the spill resulted from violation of a federal safety, construction, or operating regulation, or if a party fails to report a spill or to cooperate fully in a clean-up. Failure to comply with OPA’s requirements may subject a responsible party to civil, criminal, or administrative enforcement actions.

The federal Water Pollution Control Act (also referred to as the “Clean Water Act”) imposes restrictions and controls on the discharge of pollutants into navigable waters. These controls have become more stringent over the years, and it is possible that additional restrictions may be imposed in the future. Permits must be obtained to discharge pollutants into state and federal waters. The Clean Water Act provides for civil, criminal, and administrative penalties for discharges of oil and other pollutants, and imposes liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. Comparable state statutes impose liability and authorize penalties in the case of an unauthorized discharge of petroleum or its derivatives, or other pollutants, into state waters.

The federal Clean Air Act and associated state laws and regulations restrict the emission of air pollutants from many sources, including facilities involved in manufacturing chemicals and biofuels. New facilities are generally required to obtain permits before operations can commence, and new or existing facilities may be required to incur certain capital expenditures to install air pollution control equipment in connection with obtaining and maintaining operating permits and approvals. Federal and state regulatory agencies can impose administrative, civil, and criminal penalties for non-compliance with permits or other requirements of the Clean Air Act and associated state laws and regulations.

The federal Endangered Species Act, the federal Marine Mammal Protection Act, and similar federal and state wildlife protection laws prohibit or restrict activities that could adversely impact protected plant and animal species or habitats. Manufacturing activities could be prohibited or delayed in areas where such protected species or habitats may be located, or expensive mitigation may be required to accommodate such activities.

Our policy is to operate our plant and facilities in a manner that protects the environment and the health and safety of our employees and the public. We intend to continue to make expenditures for environmental protection and improvements in a timely manner consistent with our policies and with the technology available. In some cases, applicable environmental regulations such as those adopted under the Clean Air Act and RCRA, and related actions of regulatory agencies, determine the timing and amount of environmental costs incurred by us.

We establish reserves for closure/post-closure costs associated with the environmental and other assets we maintain. Environmental assets include waste management units such as chemical waste destructors, landfills, storage tanks, and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on the expected life of the environmental assets, the applicable regulatory closure requirements, and our environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. Currently, we estimate the useful life of each individual asset up to 39 years.

In addition to our general environmental policies and policies for asset retirement obligations and environmental reserves, we accrue environmental costs when it is probable that we have incurred a liability and the amount can be reasonably estimated. In some instances, the amount cannot be reasonably estimated due to insufficient data, particularly in the nature and timing of the future performance. In these cases, the liability is monitored until such time that sufficient data exists. With respect to a contaminated site, the amount accrued reflects our assumptions about remedial requirements at the site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Changes in the estimates on which the accruals are based, unanticipated government enforcement action, or changes in health, safety, environmental, chemical control regulations, and testing requirements could result in higher or lower costs.

Our cash expenditures related to environmental protection and improvement were approximately \$10,205, \$10,007, and \$9,798 for the years ended December 31, 2015, 2014, and 2013, respectively. These amounts pertain primarily to operating costs associated with environmental protection equipment and facilities, but also include expenditures for construction and development. While we do not expect future environmental capital expenditures arising from requirements of environmental laws and regulations to materially increase our planned level of annual capital expenditures for environmental control facilities, we can give no assurances that such requirements will not materialize in the future.

We believe that we have obtained in all material respects the necessary environmental permits and licenses to carry on our operations as presently conducted. We have reviewed environmental investigations of the properties owned by us and believe, on the basis of the results of the investigations carried out to date, that there are no material environmental issues which adversely impact us. In connection with the acquisition of our warehouse in Batesville, the seller agreed to remediate certain environmental conditions existing at the facility on the date that we acquired it and to indemnify us with respect to those environmental conditions. We continue to monitor the seller's compliance with its remediation obligations.

Management Team and Workforce

Our executive management team at the Batesville plant consists of individuals with a combined 90 plus years of experience in the chemicals industry, comprising technical, operational, and business responsibilities. The members of the executive team also have international experience, including assignments in Europe. The operational and commercial management group at the Batesville site includes additional degreed professionals with an average experience of over 25 years in the chemical industry.

Our Batesville workforce comprises approximately 500 full-time employees, and includes degreed professionals including chemists (some with PhDs) and engineers (including licensed professional electrical, mechanical, and chemical engineers). Operations personnel have received extensive training and are highly skilled. Additionally, all site manufacturing and infrastructure is fully automated and computer-controlled. Due to the lack of locally-available process industry infrastructure, the workforce is substantially self-sufficient in the range of required operational skills and experience. Voluntary attrition at the site has averaged 4.3% over the past five years.

Financial Information about Geographic Areas

Most of our sales are FOB the Batesville plant, although some transfer points are in other states or foreign ports. While many of our chemicals are utilized to manufacture products that are shipped, further processed, and/or consumed throughout the world, the chemical products, with limited exceptions, generally leave the United States only after we have transferred ownership. Rarely are we the exporter of record, never are we the importer of record into foreign countries, and we are not always aware of the exact quantities of our products that are moved into foreign markets by our customers. We do track the addresses of our customers for invoicing purposes and use this address to determine whether a particular sale is within or outside the United States. Our revenues for the last three fiscal years attributable to the United States and foreign countries (based upon the billing addresses of our customers) were as set forth in the following table.

(Dollars in thousands)

Period	United States	All Foreign Countries	Total
Year ended December 31, 2015	\$297,415	\$ 2,196	\$299,611
Year ended December 31, 2014	\$334,210	\$ 7,628	\$341,838

Year ended December 31, 2013 \$430,096 \$ 14,823 \$444,919

For the years ended December 31, 2015, 2014, and 2013, revenues from Mexico accounted for 0%, 1%, and 3%, respectively, of total revenues. Other than Mexico, revenues from a single foreign country during 2015, 2014, and 2013 did not exceed 1% of our total revenues.

All of our long-lived assets are located in the United States.

Available Information

We file annual, quarterly, and other reports, proxy statements, and other information with the SEC. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers such as us that file electronically with the SEC. You may access that site at <http://www.sec.gov>.

Our Internet website address is www.futurefuelcorporation.com. We make available free of charge, through the "Investor Relations - SEC Filings" section of our Internet website (<http://ir.futurefuelcorporation.com/sec.cfm>), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (or the Exchange Act), as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC.

We also make available free of charge, through the "Investor Relations - Corporate Governance" section of our website (<http://ir.futurefuelcorporation.com/governance.cfm>), the corporate governance guidelines of our board of directors, the charters of each of the committees of our board of directors, and the code of business conduct and ethics for our directors, officers, and employees. Such materials will be made available in print upon the written request of any shareholder to FutureFuel Corp., 8235 Forsyth Blvd., 4th Floor, Clayton, Missouri 63105, Attention: Investor Relations.

Item 1A. Risk Factors.

An investment in us involves a high degree of risk and may result in the loss of all or part of your investment. You should consider carefully all of the information set out in this document and the risks attaching to an investment in us, including, in particular, the risks described below. The information below does not purport to be an exhaustive list and should be considered in conjunction with the contents of the rest of this document.

Risks Associated With Our Business Activities

The BTC for biodiesel is set to expire on December 31, 2016. If the credit is not renewed, our cost of producing biodiesel will be increased or our selling price could decrease, which could have an adverse effect on our financial position.

In October 2004, Congress passed a biodiesel tax incentive, structured as a federal excise tax credit, as part of the American Jobs Creation Act of 2004. The credit amounted to one cent for each percentage point of vegetable oil or animal fat biodiesel that was blended with petrodiesel (and one-half cent for each percentage point of recycled oils and other non-agricultural biodiesel, subsequently amended and increased to one cent). For example, blenders that blended B20 made from soy, canola, and other vegetable oils and animal fats received a \$0.20 per gallon excise tax credit. The tax incentive generally was taken by petroleum distributors and was passed on to the consumer. It was designed to lower the cost of biodiesel to consumers in both taxable and tax-exempt markets. The tax credit was scheduled to expire at the end of 2006, but was extended in the Energy Policy Act of 2005 to December 31, 2008. The Emergency Economic Stabilization Act of 2008 extended the biodiesel tax credit through December 31, 2009 and qualified all biodiesel for a BTC, including biodiesel made from non-virgin feedstocks such as yellow grease. On December 18, 2015, the BTC was reinstated retroactively to January 1, 2015 effective through December 31, 2016. There is no guarantee that the BTC will be extended beyond 2016, which would have a material adverse effect on us and the biodiesel industry in general.

If biodiesel feedstock costs do not decrease significantly relative to biodiesel prices, we could realize a negative gross margin on biodiesel. As a result, we could cease producing biodiesel, which could have an adverse effect on our financial condition.

Our biofuels operations may be harmed if the government were to change current laws and regulations.

Alternative fuels businesses benefit from government subsidies and mandates. If any of the state or federal laws and regulations relating to the government subsidies and mandates change, including failure to reinstate the federal

biodiesel BTC, our ability to benefit from our alternative fuels business could be harmed.

Our biofuels platform is subject to federal, state, and local laws and regulations governing the application and use of alternative energy products, including those related specifically to biodiesel. For instance, biodiesel products benefit from being the only alternative fuel certified by the USEPA that fulfills the requirements of Section 211(B) of the Clean Air Act. If agency determinations, laws, and regulations relating to the application and use of alternative energy are changed, the marketability and sales of biodiesel production could be materially adversely affected.

The industries in which we compete are highly competitive.

The biodiesel and specialty chemical industries are highly competitive. There is competition within these industries and also with other industries in supplying the energy, fuel, and chemical needs of industry and individual customers. We compete with other firms in the sale or purchase of various goods or services in many national and international markets. We compete with large national and multi-national companies that have longer operating histories, greater financial, technical, and other resources, and greater name recognition than we do. In addition, we compete with several smaller companies capable of competing effectively on a regional or local basis, and the number of these smaller companies is increasing. Our competitors may be able to respond more quickly to new or emerging technologies and services and changes in customer requirements. As a result of competition, we may lose market share or be unable to maintain or increase prices for our products and/or services or to acquire additional business opportunities, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Although we will employ all methods of competition which are lawful and appropriate for such purposes, no assurances can be made that they will be successful. A key component of our competitive position, particularly given the commodity-based nature of many of our products, will be our ability to manage expenses successfully, which requires continuous management focus on reducing unit costs and improving efficiency. No assurances can be given that we will be able to successfully manage such expenses.

Our competitive position in the markets in which we participate is, in part, subject to external factors in addition to those that we can impact. Natural disasters, changes in laws or regulations, war or other outbreak of hostilities, or other political factors in any of the countries or regions in which we operate or do business, or in countries or regions that are key suppliers of strategic raw materials, could negatively impact our competitive position and our ability to maintain market share.

As to our biofuels segment, biodiesel produced in Canada, South America, Europe, Eastern Asia, the Pacific Rim, or other regions may be imported into the United States to compete with U.S. produced biodiesel. These regions may benefit from biodiesel production incentives or other financial incentives in their home countries that offset some of their biodiesel production costs and enable them to profitably sell biodiesel in the U.S. at lower prices than U.S.-based biodiesel producers. Under the RFS2, imported biodiesel may be eligible to satisfy an obligated party's requirements and therefore may compete to meet the volumetric requirements of RFS2. This could make it more challenging for us to market or sell biodiesel in the United States, which would have a material adverse effect on our revenues.

The total production capacity currently under construction is well in excess of the current 1.73 billion gallons per year RFS2 mandate for 2015. The excess of production capacity over the 2015 mandate could result in a decline in biodiesel prices and profitability, negatively impacting our ability to maintain the profitability of our biofuels segment and recover capital expenditures in this business segment.

We are reliant upon a relatively small number of customers.

Our business is concentrated with five large strategic customers covering multiple products representing greater than 85% of our chemicals segment product sales, or 35% of total revenues. Although this business is contracted in longer-term production agreements, the loss of any of these strategic customers could have a material adverse effect on our chemicals business.

Additionally, our biofuels segment has two large customers. Sales to one biodiesel customer totaled approximately 11% of total revenues in 2015 (or \$33,255), compared to 18% in 2014 (or \$62,994), and 30% in 2013 (or \$135,273). Sales of biodiesel, petrodiesel, petrodiesel blends, and other petroleum products to a related party totaled approximately 22% of total revenues in 2015 (or \$64,981), compared to 11% in 2014 (or \$39,090), and 2% in 2013 (or \$9,420). We do not have a contract with these customers, but rather sell based on monthly or short-term, multi-month purchase orders placed with us by the customers at prices based upon then-prevailing market rates.

Fluctuations in commodity prices may cause a reduction in the demand or profitability of the products or services we produce.

Prices for alternative fuels tend to fluctuate widely based on a variety of political and economic factors. These price fluctuations heavily influence the oil and gas industry. Lower energy prices for existing products tend to limit the demand for alternative forms of energy services and related products and infrastructure. Historically, the markets for alternative fuels have been volatile, and they are likely to continue to be volatile. Wide fluctuations in alternative fuel prices may result from relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and other factors that are beyond our control, including:

- worldwide and domestic supplies of oil and gas;
- the price and/or availability of biodiesel feedstocks;
- weather conditions;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the availability of pipeline and refining capacity;
- the price and level of foreign imports;
- domestic and foreign governmental regulations and taxes;
- the ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree to and maintain oil price and production controls;
- political instability or armed conflict in oil-producing regions; and
- the overall economic environment.

These factors and the volatility of the commodity markets make it extremely difficult to predict future alternative fuel price movements with any certainty. There may be a decrease in the demand for our products or services and our profitability could be adversely affected.

We are reliant on certain strategic raw materials for our operations.

We are reliant on certain strategic raw materials (such as acetic anhydride, pelargonic acid, biodiesel feedstocks and methanol) for our operations. We have implemented certain risk management tools, such as multiple suppliers and hedging to mitigate short-term market fluctuations in raw material supply and costs. There can be no assurance, however, that such measures will result in cost savings or supply stability or that all market fluctuation exposure will be eliminated. In addition, natural disasters, changes in laws or regulations, war or other outbreak of hostilities, or other political factors in any of the countries or regions in which we operate or do business, or in countries or regions that are key suppliers of strategic raw materials, could affect availability and costs of raw materials.

While temporary shortages of raw materials may occasionally occur, these items have historically been sufficiently available to cover current requirements. However, their continuous availability and price are impacted by natural disasters, plant interruptions occurring during periods of high demand, domestic and world market and political conditions, changes in government regulation, and war or other outbreak of hostilities. In addition, as we increase our biodiesel capacity, we will require larger supplies of raw materials which have not yet been secured and may not be available for the foregoing reasons, or may be available only at prices higher than current levels. Our operations or products may, at times, be adversely affected by these factors.

The European Commission has imposed anti-dumping and countervailing duties on biodiesel blends imported into Europe, which have effectively eliminated our ability to sell those biodiesel blends in Europe.

In March 2009, as a response to the federal BTC, the European Commission imposed anti-dumping and anti-subsidy tariffs on biodiesel produced in the United States. These tariffs have effectively eliminated European demand for B20 or higher blends imported from the United States. The European Commission extended these tariffs through 2020. In May 2011, the European Commission imposed similar anti-dumping and countervailing duties on biodiesel blends below B20. These duties significantly increase the price at which we and other United States biodiesel producers will be able to sell such biodiesel blends in European markets, making it difficult or impossible to compete in the European biodiesel market. These anti-dumping and countervailing duties therefore decrease the demand for biodiesel produced in the United States and increase the supply of biodiesel available in the United States market. Such market dynamics may negatively impact our revenues and profitability.

Changes in technology may render our products or services obsolete.

The alternative fuel and chemical industries may be substantially affected by rapid and significant changes in technology. Examples include competitive product technologies, such as green gasoline and renewable diesel produced from catalytic hydroforming of renewable feedstock oils and competitive process technologies such as advanced biodiesel continuous reactor and washing designs that increase throughput. Additionally, new supplies of natural gas in the U.S., primarily as a result of shale gas development, have lowered natural gas prices. Lower natural gas prices may lead to increased use of natural gas as a transportation fuel. Increased usage of natural gas in the transportation market, or other markets which have traditionally utilized petrodiesel or biodiesel, may lead to declines in the demand for petrodiesel and biodiesel. Lastly, new and more active compounds may be discovered that require less volume or different manufacturing methods, or the end products may become obsolete and be replaced with differing materials.

These changes may render obsolete certain existing products, energy sources, services, and technologies currently used by us. We cannot assure you that the technologies used by or relied upon by us will not be subject to such obsolescence. While we may attempt to adapt and apply the services provided by us to newer technologies, we cannot assure you that we will have sufficient resources to fund these changes or that these changes will ultimately prove successful.

Failure to comply with governmental regulations could result in the imposition of penalties, fines or restrictions on operations and remedial liabilities.

The biofuel and chemical industries are subject to extensive federal, state, local, and foreign laws and regulations related to the general population's health and safety and those associated with compliance and permitting obligations (including those related to the use, storage, handling, discharge, emission, and disposal of municipal solid waste and other waste, pollutants or hazardous substances or waste, or discharges and air and other emissions) as well as land use and development. Existing laws also impose obligations to clean up contaminated properties or to pay for the cost of such remediation, often upon parties that did not actually cause the contamination. Compliance with these laws, regulations, and obligations could require substantial capital expenditures. Failure to comply could result in the imposition of penalties, fines, or restrictions on operations and remedial liabilities. These costs and liabilities could adversely affect our operations.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal, or cleanup requirements could require us to make significant expenditures to attain and maintain compliance and may otherwise have a material adverse effect on our business segments in general and on our results of operations, competitive position, or financial condition. We are unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially adversely increase our cost of doing business or affect our operations in any area.

Under certain environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or contamination, or if current or prior operations were conducted consistent with accepted standards of practice. Such liabilities can be significant and, if imposed, could have a material adverse effect on our financial condition or results of operations.

Market conditions or transportation impediments may hinder access to raw goods and distribution markets.

Market conditions, the unavailability of satisfactory transportation, or the location of our manufacturing complex from more lucrative markets may hinder our access to raw goods and/or distribution markets. The availability of a ready market for biodiesel depends on a number of factors, including the demand for and supply of biodiesel and the proximity of the plant to trucking and terminal facilities. The sale of large quantities of biodiesel necessitates that we transport our biodiesel to other markets since the Batesville, Arkansas regional market is not expected to absorb all of our contemplated production. Currently, common carrier pipelines are not transporting biodiesel or biodiesel/petrodiesel blends. This leaves trucks, barges, and rail cars as the means of distribution of our product from the plant to these storage terminals for further distribution. However, the current availability of rail cars is limited and at times unavailable because of repairs or improvements, or as a result of priority transportation agreements with other shippers. Additionally, the current availability of barges is limited, particularly heated barges to transport biodiesel during winter months. If transportation is restricted or is unavailable, we may not be able to sell into more lucrative markets and consequently our cash flow from sales of biodiesel could be restricted.

The biodiesel industry also faces several challenges to wide biodiesel acceptance, including cold temperature limitations, storage stability, fuel quality standards, and exhaust emissions. If the industry does not satisfy consumers that these issues have been resolved or are being resolved, biodiesel may not gain widespread acceptance which may have an adverse impact on our cash flow from sales of biodiesel.

Our insurance may not protect us against our business and operating risks.

We maintain insurance for some, but not all, of the potential risks and liabilities associated with our business. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance policies may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. Although we will maintain insurance at levels we believe are appropriate for our business and consistent with industry practice, we will not be fully insured against all risks which cannot be sourced on economic terms. In addition, pollution and environmental risks generally are not fully insurable. Losses and liabilities from uninsured and underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on our financial condition and results of operations.

If a significant accident or other event resulting in damage to our operations (including severe weather, terrorist acts, war, civil disturbances, pollution, or environmental damage) occurs and is not fully covered by insurance or a recoverable indemnity from a customer, it could adversely affect our financial condition and results of operations.

We depend on key personnel, the loss of any of whom could materially adversely affect our future operations.

Our success depends to a significant extent upon the efforts and abilities of our executive officers and lead management team. The loss of the services of one or more of these key employees could have a material adverse effect on us. Our business is also dependent upon our ability to attract and retain qualified personnel. Acquiring or retaining these personnel could prove more difficult to hire or cost substantially more than estimated. This could cause us to incur greater costs.

If we are unable to effectively manage the commodity price risk of our raw materials or finished goods, we may have unexpected losses.

We hedge our raw materials and/or finished products for our biofuels segment to some degree to manage the commodity price risk of such items. This requires the purchase or sale of commodity futures contracts and/or options on those contracts or similar financial instruments. We may be forced to make cash deposits available to counterparties as they mark-to-market these financial hedges. This funding requirement may limit the level of commodity price risk management that we are prudently able to complete. If we do not manage or are not capable of managing the commodity price risk of our raw materials and/or finished products for our biofuels segment, we may incur losses as a result of price fluctuations with respect to these raw materials and/or finished products.

In most cases we are not capable of hedging raw material and/or finished products for our chemicals segment. Certain of our products are produced under manufacturing agreements with our customers which provide us the contractual ability to pass along raw material price increases. However, we do not have this protection for all product lines within the chemicals segment. If we do not manage or are not capable of managing escalating raw material prices and/or passing these increases along to our customers via increased prices for our finished products, we may incur losses.

If we are unable to acquire or renew permits and approvals required for our operations, we may be forced to suspend or cease operations altogether.

The operation of our manufacturing plant requires numerous permits and approvals from governmental agencies. We may not be able to obtain or renew all necessary permits (or modifications thereto) and approvals and, as a result, our operations may be adversely affected. In addition, obtaining all necessary renewal permits (or modifications to existing permits) and approvals for future expansions may necessitate substantial expenditures and may create a significant risk of expensive delays or loss of value if a project is unable to function as planned due to changing requirements.

Our indebtedness may limit our ability to borrow additional funds or capitalize on acquisition or other business opportunities.

We have entered into a \$150 million revolving credit facility with a commercial bank. Although as of the date of this report we have no outstanding borrowings under this facility, when we do borrow the restrictions governing this indebtedness (such as total debt to EBITDA limitations) could reduce our ability to incur additional indebtedness, engage in certain transactions, or capitalize on acquisition or other business opportunities.

We expect to have capital expenditure requirements, and we may be unable to obtain needed financing on satisfactory terms.

We expect to make capital expenditures for the expansion of our biofuels and chemicals production capacity and complementary infrastructure. We intend to finance these capital expenditures primarily through cash flow from our operations, borrowings under our credit facility, and existing cash. However, if our capital requirements vary materially from those provided for in our current projections, we may require additional financing sooner than anticipated. A decrease in expected revenues or adverse change in market conditions could make obtaining this financing economically unattractive or impossible. As a result, we may lack the capital necessary to complete the projected expansions or capitalize on other business opportunities.

We may be unable to successfully integrate future acquisitions with our operations or realize all of the anticipated benefits of such acquisitions.

Failure to successfully integrate future acquisitions, if any, in a timely manner may have a material adverse effect on our business, financial condition, results of operations, and cash flows. The difficulties of combining acquired operations include, among other things:

- operating a significantly larger combined organization;
- consolidating corporate technological and administrative functions;
- integrating internal controls and other corporate governance matters; and
- diverting management's attention from other business concerns.

In addition, we may not realize all of the anticipated benefits from future acquisitions, such as increased earnings, cost savings, and revenue enhancements, for various reasons, including difficulties integrating operations and personnel,

higher and unexpected acquisition and operating costs, unknown liabilities, and fluctuations in markets. If benefits from future acquisitions do not meet the expectations of financial or industry analysts, the market price of our shares of common stock may decline.

If we are unable to respond to changes in ASTM or customer standards, our ability to sell biodiesel may be harmed.

We currently produce biodiesel to conform to or exceed standards established by ASTM. ASTM standards for biodiesel and biodiesel blends may be modified in response to new observations from the industries involved with diesel fuel. New tests or more stringent standards may require us to make additional capital investments in, or modify, plant operations to meet these standards. In addition, some biodiesel customers have developed their own biodiesel standards which are stricter than the ASTM standards. If we are unable to meet new ASTM standards or our biodiesel customers' standards cost effectively or at all, our production technology may become obsolete, and our ability to sell biodiesel may be harmed, negatively impacting our revenues and profitability.

If we fail to maintain effective internal control over financial reporting, we might not be able to report our financial results accurately or prevent fraud; in that case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the value of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. The process of maintaining our internal controls may be expensive and time consuming and may require significant attention from management. Although we have concluded as of December 31, 2015 that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm discover a material weakness, the disclosure of that fact could harm the value of our stock and our business.

Confidentiality agreements with customers, employees, and others may not adequately prevent disclosures of confidential information, trade secrets, and other proprietary information.

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. For example, we require new custom manufacturing chemical customers to execute confidentiality agreements before we begin manufacturing custom chemicals for them. We also require employees and consultants to execute confidentiality agreements upon the commencement of their employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. These agreements also generally provide that know-how and inventions conceived by the individual in the course of rendering services to us are our exclusive property. Nevertheless, these agreements may be breached, or may not be enforceable, and our proprietary information may be disclosed. Further, despite the existence of these agreements, third parties may independently develop substantially equivalent proprietary information and techniques. Accordingly, it may be difficult for us to protect our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Moreover, we cannot assure that our technology does not infringe upon any valid claims of patents that other parties own. In the future, if we were found to be infringing on a patent owned by a third party, we might have to seek a license from such third party to use the patented technology. We cannot assure that, if required, we would be able to obtain such a license on terms acceptable to us, if at all. If a third party brought a legal action against us or our licensors, we could incur substantial costs in defending ourselves, and we cannot assure that such an action would be resolved in our favor. If such a dispute were to be resolved against us, we could be subject to significant damages.

We depend on our ability to maintain relationships with industry participants, including our strategic partners.

Our ability to maintain commercial arrangements with chemical and biodiesel customers, raw material and feedstock suppliers, and transportation and logistics services providers may depend on maintaining close working relationships with industry participants. There can be no assurance that we will be able to maintain or establish additional necessary strategic relationships, in which case the opportunity to grow our business may be negatively affected.

If automobile manufacturers and other industry groups express reservations regarding the use of biodiesel, our ability to sell biodiesel will be negatively impacted.

Research on biodiesel use in automobiles is ongoing. Some industry groups have recommended that blends of no more than 5% biodiesel be used for automobile fuel due to concerns about fuel quality, engine performance problems, and possible detrimental effects of biodiesel on rubber components and other engine parts. Although some manufacturers have encouraged use of biodiesel fuel in their vehicles, cautionary pronouncements by other manufacturers or industry groups may impact our ability to market our biodiesel.

There is currently excess production capacity and low utilization in the biodiesel industry and if non-operational and underutilized facilities commence or increase operations, our results of operations may be negatively affected.

Many biodiesel plants in the United States do not currently operate, and of those that do, many do not operate at full capacity. Further, plants under construction and expansion in the United States as of December 2015, if completed, would add additional biodiesel production capacity. The annual production capacity of existing plants and plants under construction far exceeds both historic consumption of biodiesel in the United States and required consumption under RFS2. If this excess production capacity was utilized for biodiesel production, it would increase competition for our feedstocks, increase the volume of biodiesel on the market, and may reduce biodiesel gross margins, harming our revenues and profitability.

Perception about “food vs. fuel” could impact public policy which could impair our ability to operate at a profit and substantially harm our revenues and operating margins.

Some people believe that biodiesel may increase the cost of food, as some feedstocks such as soybean oil used to make biodiesel can also be used for food products. This debate is often referred to as “food vs. fuel.” Though our biodiesel is sourced from non-food grade feedstocks, this is a concern to the biodiesel industry because biodiesel demand is heavily influenced by government policy and, if public opinion were to erode, it is possible that these policies would lose political support. These views could also negatively impact public perception of biodiesel. Such claims have led some, including members of Congress, to urge the modification of current government policies which affect the production and sale of biofuels in the United States.

Concerns regarding the environmental impact of biodiesel production could affect public policy which could impair our ability to operate at a profit and substantially harm our revenues and operating margins.

The environmental impacts associated with biodiesel production and use have not yet been fully analyzed. Under the 2007 Energy Independence and Security Act, the USEPA is required to produce a study every three years of the environmental impacts associated with current and future biofuel production and use, including effects on air and water quality, soil quality and conservation, water availability, energy recovery from secondary materials, ecosystem health and biodiversity, invasive species, and international impacts. A draft of the first such triennial report was released in January 2011 and a final report was submitted to Congress on January 31, 2012. See <http://www.epa.gov/ncea/biofuels/>. The report concluded the following: (i) the extent of negative impacts to date due to the biofuels industry is limited in magnitude and primarily associated with intensification of corn production; (ii) future negative or positive impacts will be determined by the choice of feedstock, land use change, cultivation and conservation practices; and (iii) potential benefits will likely require implementation of conservation measures and innovative technologies, best management practices, and improvements in production efficiency. These factors, along with any negative findings or interpretations of this report or subsequent reports, may negatively impact public perception of biodiesel, its acceptance and development as an alternative fuel, and its political support.

To the extent that state or federal laws are modified or public perception turns against biodiesel, use requirements such as RFS2 may not continue, which could materially harm our ability to operate profitably.

Growth in the sale and distribution of biodiesel is dependent on the expansion of related infrastructure which may not occur on a timely basis, if at all, and our operations could be adversely affected by infrastructure limitations or disruptions.

Growth in the biodiesel industry depends on substantial development of infrastructure for the distribution of biodiesel. Substantial investment required for these infrastructure changes and expansions may not be made on a timely basis or at all. The scope and timing of any infrastructure expansion are generally beyond our control. Also, we compete with other biofuel companies for access to some of the key infrastructure components such as pipeline and terminal capacity. As a result, increased production of biodiesel or other biofuels will increase the demand and competition for necessary infrastructure. Any delay or failure in expanding distribution infrastructure could hurt the demand for or prices of biodiesel, impede delivery of our biodiesel, and impose additional costs, each of which would have a material adverse effect on our results of operations and financial condition. Our business will be dependent on the continuing availability of infrastructure for the distribution of increasing volumes of biodiesel and any infrastructure disruptions could materially harm our business.

Nitrogen oxide emissions from biodiesel may harm its appeal as a renewable fuel and increase costs.

In some instances biodiesel may increase emissions of nitrogen oxide as compared to petrodiesel, which could harm air quality. Nitrogen oxide is a contributor to ozone and smog. These emissions may decrease the appeal of biodiesel to environmental groups and agencies who have been historic supporters of the biodiesel industry, potentially harming our ability to market our biodiesel.

In addition, several states have acted to regulate potential nitrogen oxide emissions from biodiesel. Texas currently requires that biodiesel blends contain an additive to eliminate this perceived nitrogen oxide increase. California is in the process of formulating biodiesel regulations that may also require such an additive. In states where such an additive is required to sell biodiesel, the additional cost of the additive may make biodiesel less profitable or make biodiesel less cost competitive against petrodiesel or renewable diesel, which would negatively impact our ability to sell our products in such states and therefore have an adverse effect on our revenues and profitability.

Several biofuels companies throughout the United States have filed for bankruptcy over the last several years due to industry and economic conditions.

Unfavorable worldwide economic conditions, lack of financing, and volatile biofuel prices and feedstock costs have likely contributed to the necessity of bankruptcy filings by biofuel producers. Our business may be negatively impacted by the industry conditions that influenced the bankruptcy proceedings of other biofuel producers, or we may encounter new competition from buyers of distressed biodiesel properties who enter the industry at a lower cost than original plant investors.

We are exposed to credit risk and fluctuations in market values of our investments

We could experience significant declines in the market value of our investment portfolio. Credit ratings and pricing of these investments can be negatively affected by liquidity, credit deterioration, financial results, economic risk, political risk, sovereign risk, or other factors. As a result, the value and liquidity of our cash, cash equivalents and marketable securities could decline and result in significant impairment.

Risks Associated With Owning Our Shares

We may issue substantial amounts of additional shares without stockholder approval.

Our certificate of incorporation authorizes the issuance of 75,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of the date of this report, 43,715,832 shares of our common stock currently are outstanding. The issuance of any additional shares of our common stock or preferred stock would dilute the percentage ownership of our company held by existing stockholders.

The market price of our common stock is highly volatile and may increase or decrease dramatically at any time.

The market price of our common stock is highly volatile and our shares are thinly traded. Our stock price may change dramatically as the result of: (i) announcements of new products or innovations by us or our competitors; (ii) uncertainty regarding the viability of any of our product initiatives; (iii) significant customer contracts; (iv) significant litigation; (v) the loss of the BTC or RFS2 mandate; or (vi) other factors or events that would be expected to affect our business, financial condition, results of operations, and future prospects.

The market price for our common stock may also be affected by various factors not directly related to our business or future prospects, including the following:

- a reaction by investors to trends in our stock rather than the fundamentals of our business;
- a single acquisition or disposition, or several related acquisitions or dispositions, of a large number of our shares, including by short sellers covering their position;
- the interest of the market in our business sector, without regard to our financial condition, results of operations, or business prospects;
- positive or negative statements or projections about us or our industry by analysts and other persons;
- the adoption of governmental regulations or government grant programs and similar developments in the United States or abroad that may enhance or detract from our ability to offer our products and services or affect our cost structure; and
- economic and other external market factors, such as a general decline in market price due to poor economic conditions, investor distrust, or a financial crisis.

If securities or industry analysts issue an adverse or misleading opinion regarding our stock or do not publish research or reports about our business, our stock price and trading volume could decline.

The trading market for shares of our common stock will rely in part on the research and reports that equity research analysts publish about us and our business. The price of our common stock could decline if one or more equity research analysts downgrade our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

If our founding shareholders and Mr. Novelly or his designees exercise their registration rights, such exercise may have an adverse effect on the market price of our shares of common stock.

Those shareholders holding shares of our common stock prior to our July 2006 offering (our founding shareholders; see “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters -- Founding Shares Owned by the Founding Shareholders” below) and Mr. Paul A. Novelly, our executive chairman of the board, or his designees, are entitled to demand that we register under the Securities Act of 1933, as amended (or the “Securities Act”), the resale of their shares of our common stock issued prior to our July 2006 offering (the founding shares) and their shares included in the units purchased in our initial public offering. The demand may be made at any time after the date on which we became a reporting company under the Exchange Act, and their founding shares have been released from escrow. This occurred on July 12, 2009. If our founding shareholders exercise their registration rights with respect to all of their shares of our common stock, there will be an additional 16,250,000 shares (which includes the 5,000,000 shares issued on exercise of their warrants) eligible for trading in the public market. The presence of this additional number of shares eligible for trading in the public market may have an adverse effect on the market price of our shares.

We may be suspended or delisted from the New York Stock Exchange if we do not satisfy their continued listing requirements.

Our common stock commenced trading on the NYSE on March 23, 2011 under the symbol “FF”. Securities admitted to the NYSE may be suspended from dealing or delisted at any time the listed company fails to satisfy certain continued listing criteria. These criteria could be triggered if, among other things, the number of our publicly-held shares falls below 600,000, the average closing price of our common stock is less than \$1.00 per share over a consecutive 30 trading-day period, or we fail to file certain reports with the SEC. As a matter of practice, the NYSE generally gives a listed company notice if any of these criteria are triggered, and generally provides the listed company with certain cure periods. If we suffer such an event but do not cure it, or if such event cannot be cured, trading of our common stock on the NYSE may be suspended from dealing or our stock may be delisted. Any such suspension or delisting may have an adverse effect on the market price of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal asset is a manufacturing plant situated on approximately 2,200 acres of land six miles southeast of Batesville in north central Arkansas fronting the White River. Approximately 500 acres of the site are occupied with batch and continuous manufacturing facilities, laboratories, and infrastructure, including on-site liquid waste treatment. Our subsidiary, FutureFuel Chemical Company, is the fee owner of this plant and the land upon which it is situated (which plant and land are not subject to any major encumbrances), and manufactures both biofuels and chemicals at the plant. Utilization of these facilities may vary with product mix and economic, seasonal, and other business conditions, but the plant is substantially utilized with the exception of facilities designated for capacity expansion of biodiesel. The plant, including approved expansions, has sufficient capacity for existing needs and expected near-term growth. We believe that the plant is generally well maintained, in good operating condition, and suitable and adequate for its uses.

In February 2009, we formed FFC Grain, L.L.C. to acquire a granary in Marianna, Arkansas for use in our biofuels business. FFC Grain, L.L.C. acquired the granary in March 2009 and owns it in fee simple, and the land and improvements thereon are not subject to any material encumbrances.

On December 13, 2011, we acquired a 197,000 square foot warehouse in Batesville, Arkansas. We intend to store inventories (both raw goods and finished products) from our chemicals business in this facility. The warehouse is owned in fee simple by our subsidiary FutureFuel Warehouse Company, LLC, and the land and improvements thereon are not subject to any material encumbrances.

Item 3. Legal Proceedings.

We are not a party to, nor is any of our property subject to, any material pending legal proceedings, other than ordinary routine litigation incidental to our business. From time to time, we may be parties to, or targets of, lawsuits, claims, investigations, and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which we expect to be handled and defended in the ordinary course of business. While we are unable to predict the outcome of any matters currently pending, we do not believe that the ultimate resolution of any such pending matters will have a material adverse effect on our overall financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

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

The high and low sales price on the NYSE for our shares of common stock for the period January 1, 2014 through December 31, 2015 are set forth in the following table.

Period	Shares	
	High	Low
January 1, 2014 - March 31, 2014	\$22.25	\$14.78
April 1, 2014 - June 30, 2014	\$21.62	\$15.79
July 1, 2014 - September 30, 2014	\$17.25	\$11.77
October 1, 2014 - December 31, 2014	\$13.78	\$10.57
January 1, 2015 - March 31, 2015	\$13.17	\$9.94
April 1, 2015 - June 30, 2015	\$13.71	\$10.02
July 1, 2015 - September 30, 2015	\$13.24	\$9.11
October 1, 2015 - December 31, 2015	\$16.08	\$9.91

As of March 10, 2016, there are 43,715,832 shares of our common stock outstanding.

Holdings

The shares of our common stock were held by approximately 287 holders of record on March 1, 2016 as recorded on our transfer agents' register. We believe that the number of beneficial owners of our common stock is substantially greater than the number of holders of record.

Dividends

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The payment of cash dividends by us is dependent upon our existing cash and cash equivalents, future earnings, capital requirements, and overall financial condition.

We declared and paid regular cash dividends for 2014 and 2015 as follows:

Per Share Amount	Record Date	Payment Date	Date of Declaration
\$0.12	March 3, 2014	March 14, 2014	November 20, 2013
\$0.12	June 2, 2014	June 13, 2014	November 20, 2013
\$0.12	September 2, 2014	September 12, 2014	November 20, 2013
\$0.12	December 1, 2014	December 12, 2014	November 20, 2013
\$0.06	March 2, 2015	March 13, 2015	December 19, 2014
\$0.06	June 1, 2015	June 12, 2015	December 19, 2014
\$0.06	September 1, 2015	September 11, 2015	December 19, 2014
\$0.06	December 1, 2015	December 11, 2015	December 19, 2014

We have also declared dividends for 2016 as follows:

Per Share Amount	Record Date	Payment Date	Date of Declaration
\$0.06	March 1, 2016	March 15, 2016	January 6, 2016
\$0.06	June 1, 2016	June 15, 2016	January 6, 2016
\$0.06	September 1, 2016	September 15, 2016	January 6, 2016
\$0.06	December 1, 2016	December 15, 2016	January 6, 2016

No assurances can be given that we will declare or pay dividends for years after 2016.

Securities Authorized for Issuance Under Equity Compensation Plan

Our board of directors adopted an omnibus incentive plan which was approved by our shareholders at our 2007 annual shareholder meeting on June 26, 2007. We do not have any other equity compensation plan or individual equity compensation arrangement. Under this plan, we are authorized to issue 2,670,000 shares of our common stock. The shares to be issued under the plan were registered with the SEC on a Form S-8 filed on April 29, 2008. Through December 31, 2015, we issued options to purchase 1,060,500 shares of our common stock and awarded an additional 414,800 shares to participants under the plan. The following additional information regarding this plan is as of December 31, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities
			remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	250,000	\$12.05	1,194,700

Performance Graph

The following graph shows changes over the 60-month period beginning January 1, 2011 through December 31, 2015 in the value of a \$100 investment in: (i) our common stock; (ii) Russell 2000; and (iii) an industry group of other companies that file reports with the SEC using SIC Code 2860. The companies in this industry group are: Aemetis Inc., AJ Greentech Holdings Limited, All Energy Corp., Bioamber Inc., Bluefire Renewables Inc., Cardinal Ethanol LLC, Celanese Corp., China Clean Energy Inc., Clean Tech Biofuels Inco, Codexis Inc., ESP Resources Inc., Good Vibrations Shoes Inco, Green Plains Inc., Greenbelt Resources Corp., Greenshift Corp., Highwater Ethanol LLC, Innophos Holdings Inc., International Flavors & Fragrances Inco, KMG Chemicals Inc., Koppers Holdings Inc., Methes Energies International Limited, New America Energy Corp., Newmarket Corp., OCI Partners Limited Partnership, Pacific Ethanol Inc., Parabel Inc., Rayonier Advanced Materials Inc., Renewable Energy Group Inc., Rex

American Resources Corp., SC Holdings Corporation, Stevia First Corp., Syntec Biofuel Inc., and Westlake Chemical Partners Limited Partners.

Recent Sales of Securities

We did not sell any of our securities within the three-year period ended December 31, 2015 in transactions that were not registered under the Securities Act.

Purchase of Securities by Us

During 2015, neither we nor anyone acting on our behalf purchased any shares of our common stock, which is the only class of our equity securities that is registered pursuant to Section 12 of the Exchange Act.

Item 6. Selected Financial Data.

The following table sets forth summary historical financial and operating data regarding us for the periods indicated below. This summary historic financial and operating data has been derived from our consolidated financial statements for the twelve months ended December 31, 2011, 2012, 2013, 2014, and 2015. The information presented in the table below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and Notes thereto.

(Dollars in thousands, except per share amounts)

Item	Twelve Months Ended December 31, 2015	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
Operating Revenues	\$ 299,611	\$ 341,838	\$ 444,919	\$ 351,829	\$ 309,885
Net income	\$ 46,421	\$ 53,200	\$ 74,034	\$ 34,304	\$ 34,509
Earnings per common share:					
Basic	\$ 1.06	\$ 1.22	\$ 1.71	\$ 0.83	\$ 0.85
Diluted	\$ 1.06	\$ 1.22	\$ 1.71	\$ 0.83	\$ 0.84
Total Assets	\$ 489,109	\$ 461,488	\$ 414,447	\$ 355,237	\$ 385,244
Long-term obligations	\$ 46,244	\$ 50,392	\$ 45,461	\$ 58,669	\$ 61,207
Cash dividends per common share	\$ 0.24	\$ 0.48	\$ 0.69	\$ 1.60	\$ 0.40
Net cash provided by operating activities	\$ 39,623	\$ 51,952	\$ 62,454	\$ 64,888	\$ 50,429
Net cash provided by (used in) investing activities	\$ 2,025	\$ 6,708	\$ (24,111)	\$ (32,613)	\$ (51,367)
Net cash provided by (used in) financing activities	\$ (11,678)	\$ (21,044)	\$ (10,617)	\$ (63,283)	\$ (374)

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

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read together with our consolidated financial statements, including the Notes thereto, set forth herein.

This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements. See “Forward-Looking Information” below for additional discussion regarding risks associated with forward-looking statements.

Unless otherwise stated, all dollar amounts are in thousands.

Overview

In General

Our company is managed and reported in two reporting segments: chemicals segment and biofuels segment. Within the chemicals segment are two product groupings: custom chemicals and performance chemicals. The custom chemicals product group is comprised of specialty chemicals manufactured for a single customer whereas the performance chemicals product group is comprised of chemicals manufactured for multiple customers. The biofuels segment is comprised of one product group. Management believes that the diversity of each segment strengthens the company in the ability to utilize resources and is committed to growing each segment.

Major products in the custom chemicals manufacturing group include: (i) laundry detergent additive manufactured exclusively for a customer for use in a household detergent; (ii) proprietary herbicide intermediates manufactured for select strategic customers; (iii) chlorinated polyolefin adhesion promoters (or “CPOs”) and antioxidant precursors (or “DIPB”) for a customer; and (iv) a biocide intermediate for another customer. The custom chemicals manufacturing group also includes consumer products (cosmetics and personal care products, specialty polymers, and specialty products used in the fuels industry).

Revenues generated from the laundry detergent additive are based on a supply agreement with the customer. Our agreement with that customer for sales of the laundry detergent additive (entered into by our subsidiary, FutureFuel Chemical Company) was set to expire on December 31, 2015. On September 30, 2015, FutureFuel Chemical

Company signed a contract amendment to extend the supply of the laundry detergent additive through 2018. The amendment (i) supersedes such customer's notice of termination of the supply arrangement effective December 31, 2015; (ii) extends the term of the supply arrangement to December 31, 2018 (unless terminated earlier in accordance with the provisions of the purchase agreement, as amended); and (iii) provides for sales of the laundry detergent additive to this in reduced volumes with adjusted pricing during 2015-2018 to account for revised market conditions. Also, we acquired certain intellectual property rights related to the laundry detergent additive which we anticipate will support sales of this product to other customers. As of December 31, 2015, business with this customer constitutes less than 10% of our revenues.

The contract with the customer provides that the price received by us for the laundry detergent additive is indexed to changes in certain items, enabling us to pass along most inflationary increases in production costs to the customer. This customer has informed us that, due to a decline in demand for dry powder household detergent, associated demand for the laundry detergent additive is likely to continue declining.

In 2013, we completed a supply agreement with a major multi-national life sciences company to manufacture an intermediate to a new herbicide. The equipment utilized for this project is, in part, the equipment vacated from the termination of previous contracts with other customers. The contract is effective through December 31, 2016 and during 2015 was extended through December 31, 2018. No assurances can be given, however, that the agreement will be further extended past 2018.

Pricing for the other custom manufacturing products is negotiated directly with the customer. Some, but not all, of these products have pricing mechanisms and/or protections against raw material or conversion cost changes.

Performance chemicals consist of specialty chemicals that are manufactured to general market-determined specifications and are sold to a broad customer base. The major product line in the performance chemicals group is SSIPA/LiSIPA, a polymer modifier that aids the properties of nylon and polyesters. This group of products also includes other sulfonated monomers and hydrotropes, specialty solvents, polymer additives, and chemical intermediates, such as glycerin.

SSIPA/LiSIPA revenues are generated from a diverse customer base of nylon fiber manufacturers and other customers that produce condensation polymers. Contract sales are, in certain instances, indexed to key raw materials for inflation; otherwise, there is no pricing mechanism or specific protection against raw material or conversion cost changes.

Pricing for the other performance chemical products is established based upon competitive market conditions. Some, but not all, of these products have pricing mechanisms and/or specific protections against raw material or conversion cost changes.

For our biofuels segment, we procure all of our own feedstock and only sell biodiesel for our own account. In rare instances, we purchase biodiesel from other producers for resale. We have the capability to process multiple types of feedstock including vegetable oils, animal fats, and separated food waste oils. We can receive feedstock by rail or truck, and we have substantial storage capacity to acquire feedstock at advantaged prices when market conditions permit. Our annual biodiesel production capacity is in excess of 58 million gallons per year.

There currently is uncertainty as to whether we will produce biodiesel in the future. This uncertainty results from changes in feedstock prices relative to biodiesel prices and the lack of permanency of government mandates and tax credits. See “Risk Factors” above.

While biodiesel is the principal component of the biofuels segment, we also generate revenue from the sale of petrodiesel both in blends with our biodiesel and, from time to time, with no biodiesel added. Petrodiesel and biodiesel blends are available to customers at our leased storage facility in North Little Rock, Arkansas and at our Batesville plant. In addition, we deliver blended product to a small group of customers within our region. We also sell refined petroleum products on common carrier pipelines in part to maintain our status as an active shipper on these pipelines.

The majority of our expenses are cost of goods sold. Cost of goods sold includes raw material costs as well as both fixed and variable conversion costs, conversion costs being those expenses that are directly or indirectly related to the operation of our plant. Significant conversion costs include labor, benefits, energy, supplies, depreciation, and maintenance and repair. In addition to raw material and conversion costs, cost of goods sold includes environmental reserves and costs related to idle capacity. Finally, cost of goods sold includes hedging gains and losses recognized by us related to our biofuels segment. Cost of goods sold is allocated to the chemicals and biofuels business segments based on equipment and resource usage for most conversion costs and based on revenues for most other costs.

Operating costs include selling, general and administrative, and research and development expenses.

The discussion of results of operations that follows is based on revenues and expenses in total and for individual product lines and do not differentiate related party transactions.

Fiscal Year Ended December 31, 2015 Compared to Fiscal Year Ended December 31, 2014

Set forth below is a summary of certain financial information for the periods indicated.

(Dollars in thousands other than per share amounts)

	Twelve Months Ended December 31, 2015	Twelve Months Ended December 31, 2014⁽¹⁾	Dollar Change	% Change
Revenues	\$ 299,611	\$ 341,838	\$(42,227)	(12.4 %)
Income from operations	\$ 46,971	\$ 56,128	\$(9,157)	(16.3 %)
Net income	\$ 46,421	\$ 53,200	\$(6,779)	(12.7 %)
Earnings per common share:				
Basic	\$ 1.06	\$ 1.22	\$(0.16)	(13.1 %)
Diluted	\$ 1.06	\$ 1.22	\$(0.16)	(13.1 %)
Capital expenditures (net of customer reimbursements and regulatory grants)	\$ 6,798	\$ 7,002	\$(204)	(2.9 %)
Adjusted EBITDA	\$ 50,097	\$ 53,930	\$(3,833)	(7.1 %)

(1) Prior year adjusted EBITDA was revised to be consistent with 2015 to exclude certain cash settled items.

We use adjusted EBITDA as a key operating metric to measure both performance and liquidity. Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA is not a substitute for operating income, net income, or cash flow from operating activities (each as determined in accordance with GAAP) as a measure of performance or liquidity. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of results as reported under GAAP. We define adjusted EBITDA as net income before interest, income taxes, depreciation, and amortization expenses, excluding, when applicable, non-cash stock-based compensation expenses, public offering expenses, acquisition-related transaction costs, purchase accounting adjustments, losses on disposal of property and equipment, gains or losses on derivative instruments, and other non-operating income or expenses. Information relating to adjusted EBITDA is provided so that investors have the same data that we employ in assessing the overall operation and liquidity of our business. Our calculation of adjusted EBITDA may be different from similarly titled measures used by other companies; therefore, the results of our calculation are not necessarily

comparable to the results of other companies.

Adjusted EBITDA allows our chief operating decision makers to assess the performance and liquidity of our business on a consolidated basis to assess the ability of our operating segments to produce operating cash flow to fund working capital needs, to fund capital expenditures and to pay dividends. In particular, our management believes that adjusted EBITDA permits a comparative assessment of our operating performance and liquidity, relative to a performance and liquidity based on GAAP results, while isolating the effects of depreciation and amortization, which may vary among our operating segments without any correlation to their underlying operating performance, and of non-cash stock-based compensation expense, which is a non-cash expense that varies widely among similar companies, and gains and losses on derivative instruments, which can cause net income to appear volatile from period to period relative to the sale of the underlying physical product.

We enter into commodity derivative instruments to protect our operations from downward movements in commodity prices, and to provide greater certainty of cash flows associated with sales of our commodities. We enter into hedges, and we utilize mark-to-market accounting to account for these instruments. Thus, our results in any given period can be impacted, and sometimes significantly, by changes in market prices relative to our contract price along with the timing of the valuation change in the derivative instruments relative to the sale of biofuel. We include this item as an adjustment as we believe it provides a relevant indicator of the underlying performance of our business in a given period.

The following table reconciles adjusted EBITDA with net income, the most directly comparable GAAP financial measure.

(Dollars in thousands)

	Twelve Months	Twelve Months
	Ended December	Ended December
	31, 2015	31, 2014⁽¹⁾
Adjusted EBITDA	\$ 50,097	\$ 53,930
Depreciation and amortization	(10,187)	(8,981)
Non-cash stock-based compensation	(2,043)	(1,440)
Interest and dividend income	5,106	6,877
Interest expense	(134)	(25)
Loss on disposal of property and equipment	(178)	(108)
Gains on derivative instruments	9,101	12,757
Other income	107	4,335
Income tax expense	(5,448)	(14,145)
Net income	\$ 46,421	\$ 53,200

(1) Adjusted EBITDA for 2014 has been modified to exclude certain cash settled transactions.

The following table reconciles adjusted EBITDA with cash flows from operations, the most directly comparable GAAP liquidity financial measure:

(Dollars in thousands)

	Twelve Months	Twelve Months
	Ended December	Ended December
	31, 2015	31, 2014⁽¹⁾
Adjusted EBITDA	\$ 50,097	\$ 53,930

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Amortization of deferred financing costs	(108)	-
Provision for (benefit from) deferred income taxes	(3,721)	5,388
Impairment of fixed assets	-	247
Interest and dividend income	5,106	6,877
Income tax expense	(5,448)	(14,145)
Gains on derivative instruments	9,101	12,757
Change in fair value of derivative instruments	(3,295)	(396)
Changes in operating assets and liabilities, net	(12,109)	(12,706)
Net cash provided by operating activities	\$ 39,623	\$ 51,952

(1) Adjusted EBITDA for 2014 has been modified to exclude certain cash settled transactions.

*Results of Operations**Consolidated*

	2015 Compared to 2014:				2014 Compared to 2013:			
	2015	2014	Change		2014	2013	Change	
			\$	%			\$	%
Sales	\$299,611	\$341,838	\$(42,227)	(12.4%)	\$341,838	\$444,919	\$(103,081)	(23.2%)
Volume/product mix effect			20,106	5.9 %			(20,236)	(4.5 %)
Price effect			(62,333)	(18.2%)			(82,845)	(18.6%)
Gross profit	\$57,046	\$65,973	\$(8,927)	(13.5%)	\$65,973	\$100,165	\$(34,192)	(34.1%)
Operating expense	\$10,075	\$9,845	\$230	2.3 %	\$9,845	\$9,911	\$(66)	(0.7 %)

2015 Compared to 2014

Consolidated sales revenue decreased \$42,227 in 2015 compared to 2014. The biofuels segment suffered from lower prices as experienced in the industry as a whole, although this segment did experience higher sales volumes which helped to offset the decline in biofuels prices. The chemicals segment suffered from lower sales volumes, especially with respect to the laundry detergent additive product. The decrease in consolidated revenue is also reflective of a graphite powder contract termination payment of \$8,816, which was recorded in revenue in 2014 and did not recur in 2015.

Gross profit decreased by \$8,927 in 2015 compared to 2014. This decrease in profit is attributable to: i) reduced chemicals sales volumes of the laundry detergent additive; ii) reduced profitability on biodiesel as feedstock prices decreased at a slower rate than the selling price; and iii) reduced profitability on common carrier pipeline activity consistent with the global decline in the fuel market. Our gross profit was benefited by adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting, and improved margins in other custom chemicals.

Operating expenses increased \$230 in 2015 compared to 2014. This increase was primarily the result of compensation expense recognized in 2015 from stock awards issued during 2014.

Provision for Taxes

The effective tax rates for the years ended December 31, 2015 and 2014 reflect our expected tax rate on reported operating earnings before income taxes. In 2015, the positive effect of the biodiesel BTC constituted a larger proportion of FutureFuel's net income than in prior years. This increase in proportion combined with the income tax treatment of the BTC served to reduce FutureFuel's effective income tax rate in 2015 relative to prior years.

In 2013, as a result of then recently issued technical guidance from the U.S. Internal Revenue Service, FutureFuel changed its position related to the benefit from the \$1 biodiesel BTC to exclude this credit from taxable income for the years 2010 through 2013. This change had a significant impact on FutureFuel's provision for income taxes in the fourth quarter of 2013. This benefit reduced FutureFuel's provision for income taxes by \$11,633 in 2013, with \$7,755 related to the years 2010 through 2012 and \$3,878 related to 2013. This same treatment was followed in 2014 and 2015 when the biodiesel BTC was retroactively reinstated for 2014 and 2015 in December of 2014 and 2015, respectively. The biodiesel BTC has been extended through the end of 2016 as part of the tax extenders package.

Income Taxes

Our liability for uncertain tax positions totaled \$336 and \$2,981 at December 31, 2015 and 2014, respectively. See Note 14 to our consolidated financial statements included herein.

2014 Compared to 2013

Consolidated sales revenue decreased \$103,081 in 2014 compared to 2013 from reduced sales volumes in both the chemical and biofuel segments as well as lower prices in the biofuel segment.

Gross profit decreased \$34,192 in 2014 compared to 2013 primarily from reduced sales volumes in both the chemical and biofuel segments. Factors contributing to the reduction included i) the biofuel industry was without the final renewable energy mandate and the BTC all year; ii) the change in product mix; iii) 2013 was benefited by the retroactive reinstatement of the 2012 BTC of \$2,535; and iv) from adjustments in our inventory carrying value as determined utilizing the LIFO method of inventory accounting.

Operating expenses decreased \$66 in 2014 compared to 2013. This decrease was primarily the result of reduced travel expenses and research and development partially offset by increased compensation expense from the issuance of restricted stock awards.

Provision for Income Taxes

The effective tax rates for the years ended December 31, 2014 and 2013 reflect our expected tax rate on reported operating earnings before income taxes.

In 2013, as a result of then recently issued technical guidance from the U.S. Internal Revenue Service, FutureFuel changed its position related to the benefit from the BTC to exclude this credit from taxable income for the years 2010 through 2013. This change had a significant impact on FutureFuel's provision for income taxes in the fourth quarter of 2013. This benefit reduced FutureFuel's provision for income taxes by \$11,633 in 2013, with \$7,755 related to the years 2010 through 2012 and \$3,878 related to 2013. This same treatment was followed in 2014 when the BTC was retroactively reinstated for 2014 in December of 2014. FutureFuel's treatment of the BTC for income tax purposes resulted in refunds from the U.S. Internal Revenue Service and various state taxing authorities for a portion of the amount FutureFuel has paid for income taxes in prior years.

Income Taxes

Our liability for uncertain tax positions totaled \$3,027 and \$1,718 at December 31, 2014 and 2013, respectively. See Note 14 to our consolidated financial statements included herein.

Chemicals Segment

	2015 Compared to 2014:				2014 Compared to 2013:			
	2015	2014	Change		2014	2013	Change	
			\$	%			\$	%
Sales	\$125,848	\$146,146	\$(20,298)	(13.9%)	\$146,146	\$161,501	\$(15,355)	(9.5%)
Volume/product mix effect			(19,412)	(13.3%)			(14,701)	(9.1%)
Price effect			(886)	(0.6%)			(654)	(0.4%)
Gross profit	\$35,452	\$46,062	\$(10,610)	(23.0%)	\$46,062	\$54,708	\$(8,646)	(15.8%)

2015 Compared to 2014

Chemical sales revenue decreased \$20,298 in 2015 compared with 2014. Sales revenue for our custom chemicals product line (unique chemicals produced for specific customers) totaled \$108,160, a decline of \$19,796 from 2014. The decline in the laundry detergent additive revenue was the most significant reduction in the custom chemical product line. Our contract for sales of the laundry detergent additive (entered into by our subsidiary, FutureFuel Chemical Company) was set to expire on December 31, 2015. On September 30, 2015, FutureFuel Chemical Company signed a contract amendment to extend the supply of the laundry detergent additive through 2018. The amendment (i) supersedes such customer's notice of termination of the supply arrangement effective December 31, 2015; (ii) extends the term of the supply arrangement to December 31, 2018 (unless terminated earlier in accordance with the provisions of the purchase agreement, as amended); and (iii) provides for sales of the laundry detergent additive to this customer in reduced volumes with adjusted pricing during 2015-2018 to account for revised market conditions. Revenue from the laundry detergent additive was less than 10% of total revenue in 2015 as compared to 13% in 2014. As part of the contract extension, we acquired additional intellectual property rights related to the laundry detergent additive product, which we anticipate will support sales of this product to other customers. To the extent such sales are realized, we anticipate reporting such sales as a component of our performance chemicals segment. This laundry detergent additive is currently only used in dry laundry powders and sales are challenged by the trend to liquid based laundry detergents. The decrease in revenue is also reflective of a graphite powder contract termination payment of \$8,816, which was recorded in revenue in 2014 and did not recur in 2015. We invested to expand production capacity to some our custom chemicals product lines, however, anticipated growth failed to materialize based on contraction in the energy exploration and agricultural chemistry industries. The growth we experienced in 2015 from other custom products helped minimize these impacts. Performance chemical (comprised of multi-customer products which are sold based on specification) revenue was \$17,688 in 2015, a decrease of \$502 from 2014. This decrease was from declines in sales of polymer modifier products.

Gross profit for the chemicals segment decreased \$10,610 in 2015 compared with 2014. This decrease in gross profit is primarily attributed to reduced volumes and selling price of the laundry detergent additive. This decrease was offset by net gross profit improvements in custom chemicals due to growth in herbicide intermediate, biocide intermediates, and fuel additive products. Furthermore, gross profit in the chemicals segment for the twelve months ended December 31, 2015 was benefited by adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting.

2014 Compared to 2013

Chemicals sales revenue decreased \$15,535 in 2014 compared with 2013. This decline was primarily driven by reduced sales volumes of certain chemical products including the laundry detergent additive and the other custom products we no longer produce. The declines were partially offset by the aforementioned graphite powder contract termination payment of \$8,816 in 2014.

Gross profit for the chemicals segment decreased \$8,646 in 2014 compared to 2013 on reduced sales volumes in addition to: i) slightly higher costs from the change in product mix year over year; ii) increased fixed cost share with reduced biodiesel production; and iii) adjustments in our inventory carrying value as determined utilizing the LIFO method of inventory accounting were other contributing factors to the decline in gross profit.

Biofuels Segment

	2015 Compared to 2014:				2014 Compared to 2013:			
	2015	2014	Change		2014	2013	Change	
			\$	%			\$	%
Sales	\$173,763	\$195,692	\$(21,929)	(11.2%)	\$195,692	\$283,418	\$(87,726)	(31.0%)
Volume/product mix effect			39,518	20.2 %			(5,535)	(2.0 %)
Price effect			(61,447)	(31.4%)			(82,191)	(29.0%)
Gross profit	\$21,594	\$19,911	\$1,683	8.5 %	\$19,911	\$45,457	\$(25,546)	(56.2%)

2015 Compared to 2014

Biofuels sales revenue decreased \$21,929 in 2015 compared to 2014 primarily from decreased sales prices as experienced globally in the industry. The renewable fuel final mandate was set in late 2015 and the BTC was reinstated in December, retroactive to January 1, 2015, and made effective through December 31, 2016. As a result of contractual provisions with certain customers, a share of the BTC was owed upon reinstatement of a retroactive BTC. Increased sales volume on common carrier pipelines helped reduce the reduced price impact as well as to offset lower sales volumes of biodiesel and diesel blends. Such sales from common carrier pipelines totaled \$66,544 compared to \$40,263 in 2014.

Revenues from common carrier pipelines varies as its revenue recognition depends upon whether a transaction is bought from and sold to the same party. Purchases and sales of inventory with the same counterparty that are entered

into in contemplation of one another (including buy/sell agreements) are combined and recorded on a net basis. Revenue from common carrier pipelines fluctuates with market conditions. In 2015, a portion of our revenue was generated by pipeline sales of petroleum products to a petroleum wholesale, storage, and transportation company. No assurances can be given that we will continue to sell to such customer, or, if we do sell, the volume we will sell or the profit margin we will realize. We do not believe that the loss of this customer would have a material adverse effect on this segment or on us as a whole in that: (i) these are commodity transactions with a very large potential customer base; (ii) we believe that we could readily transact with other customers as there is significant market demand for these products; (iii) our sales to this customer are not under fixed terms and the customer has no fixed obligation to purchase any minimum quantities except as stipulated by individual orders; and (iv) the prices we receive from this customer are based upon then-market rates, as would be the case with these types of transactions with other customers.

Additionally, a portion of our biodiesel sold in 2015 and 2014 was to a major refiner in the United States and no assurances can be given that we will continue to sell to such major refiner, or, if we do sell, the volume we will sell or the profit margin we will realize. We do not believe that the loss of this customer would have a material adverse effect on our biofuels segment or on us as a whole in that: (i) unlike our custom manufacturing products, biodiesel is a commodity with a large potential customer base; (ii) we believe that we could readily sell our biodiesel to other customers as potential demand from other customers for biodiesel exceeds our production capacity; (iii) our sales to this customer are not under fixed terms and the customer has no fixed obligation to purchase any minimum quantities except as stipulated by short term purchase orders; and (iv) the prices we receive from this customer are based upon then-market rates, as would be the case with sales of this commodity to other customers.

Biofuels gross profit increased \$1,683 in 2015 compared to 2014. This was largely a result of our retaining a larger portion of the BTC than we did last year, increased volumes of sales of byproducts, and from adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting of \$3,380. This LIFO adjustment resulted in a lower of cost or market adjustment of \$1,595. Lastly, hedging gains decreased to \$9,101 in 2015 compared to \$12,757 in 2014.

2014 Compared to 2013

Biofuels sales revenue decreased \$87,726 in 2014 compared to 2013 primarily from the weakened market with the expiration of the BTC on December 31, 2014 and the absence of a final renewable fuel mandate from the USEPA. As a result of contractual provisions with certain customers, a share of the BTC was owed upon reinstatement of a retroactive BTC. Revenues from our biofuels have also benefited by our sales of refined petroleum products as a shipper on common carrier pipelines which totaled \$40,263 in 2014 compared to \$12,521 in 2013.

Biofuels gross profit decreased \$25,546 in 2014 compared to 2013. Despite the retroactive reinstatement of the BTC in December 2014 for the year 2014, market conditions were less favorable for biodiesel in 2014 as compared to 2013. Such market conditions were largely the result of the industry not having clarity for most of the year as to whether or not the BTC would exist in 2014. Additionally in 2014, the industry operated without a clear government mandate for renewable fuel. We recorded this credit as a reduction in cost of goods sold and distribution expense in our consolidated statement of operations. As a result of the 2014 reinstatement, we recognized a \$28,954 reduction to cost of goods sold in the fourth quarter of 2014. As a result of the 2012 retroactive reinstatement, we recognized a \$2,535 reduction to cost of goods sold in the first quarter of 2013. Furthermore, increases in cost of goods sold and distribution resulted from adjustments in our inventory carrying value as determined utilizing the LIFO method of inventory accounting. Our hedging activity helped offset the increased cost of goods sold. For 2014, our hedging gain was \$12,757 as compared to a hedging gain for 2013 of \$1,151. Finally, and to a lesser extent, the biodiesel segment benefited from a reduced share of plant allocated fixed costs.

Critical Accounting Estimates

Allowance for Doubtful Accounts

We reduce our accounts receivable by amounts that may be uncollectible in the future. This estimated allowance is based upon management's evaluation of the collectability of individual invoices and is based upon management's evaluation of the financial condition of our customers and historical bad debt experience. This estimate is subject to change based upon the changing financial condition of our customers. At December 31, 2015 and 2014, we recorded an allowance for doubtful accounts of \$0 and \$0, respectively. We historically have not experienced significant problems in collecting our receivables, and we do not expect this to change going forward.

Depreciation

Depreciation is provided for using the straight-line method over the associated assets' estimated useful lives. We primarily base our estimate of an asset's useful life on our experience with other similar assets. The actual useful life of an asset may differ significantly from our estimate for such reasons as the asset's build quality, the manner in which the asset is used, or changes in the business climate. When the actual useful life differs from the estimated useful life, impairment charges may result. We monitor the estimated useful lives of our assets and do not currently anticipate impairment charges.

Asset Retirement Obligations

We establish reserves for closure/post-closure costs associated with the environmental and other assets we maintain. Environmental assets include waste management units such as incinerators, landfills, storage tanks, and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on an expected life of the environmental assets, the applicable regulatory closure requirements, and our environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. The future costs anticipated to be associated with the closure of the site are based upon estimated current costs for such activities adjusted for anticipated future inflation rates. Unanticipated changes in either of these two variables or changes in the anticipated timing of closure/post-closure activities may significantly affect the established reserves. As of December 31, 2015 and December 31, 2014, we recorded a reserve for closure/post-closure liabilities of \$822 and \$796, respectively. We monitor this reserve and the assumptions used in its calculation. As deemed necessary, we have made changes to this reserve balance and anticipate that future changes will occur.

Revenue Recognition

For most product sales, revenue is recognized when product is shipped from our facilities and risk of loss and title have passed to the customer, which is in accordance with our customer contracts and the stated shipping terms. Nearly all custom manufactured products are manufactured under written contracts. Performance chemicals and biodiesel are generally sold pursuant to the terms of written purchase orders. In general, customers do not have any rights of return, except for quality disputes. However, all of our products are tested for quality before shipment, and historically returns have been inconsequential. We do not offer rebates or other warranties.

Bill and hold transactions for 2015 related to specialty chemical customers whereby revenue was recognized in accordance with contractual agreements based upon product being produced and ready for use. These sales were subject to written monthly purchase orders with agreement that production was reasonable. The inventory was custom manufactured and stored at the customer's request and could not be sold to another buyer. Credit and payment terms for bill and hold transactions are similar to other specialty chemical customers. Sales revenues under bill and hold arrangements totaled \$28,740, \$31,598, and \$44,047 for the years ended December 31, 2015, 2014, and 2013, respectively.

We sell petroleum products from time to time on common carrier pipelines in part to maintain our status as a shipper on these pipelines. When such transactions result in our purchasing and selling product to the same counterparty, such transactions are recorded net as an element of revenue or cost of goods sold.

Taxes collected from customers and remitted to governmental authorities

Taxes collected from customers and remitted to governmental authorities are recorded on a net basis within cost of goods sold.

Income Taxes

We account for income taxes using the asset and liability method. Under this method, income tax assets and liabilities are recognized for temporary differences between financial statement carrying amounts of assets and liabilities and their respective income tax basis. A future income tax asset or liability is estimated for each temporary difference using enacted and substantively enacted income tax rates and laws expected to be in effect when the asset is realized or the liability settled. Changes in the expected tax rates and laws to be in effect when the asset is realized or the liability settled could significantly affect the income tax assets and liabilities booked by us. We monitor changes in applicable tax laws and adjust our income tax assets and liabilities as necessary.

Liquidity and Capital Resources

Our net cash provided by (used in) operating activities, investing activities, and financing activities for the years ended December 31, 2015, 2014, and 2013 are set forth in the following table.

(Dollars in thousands)

	2015	2014	2013
Net cash provided by operating activities	\$39,623	\$51,952	\$62,454
Net cash provided by (used in) investing activities	\$2,025	\$6,708	\$(24,111)
Net cash used by financing activities	\$(11,678)	\$(21,044)	\$(10,617)

Operating Activities

Cash provided by operating activities decreased from \$51,952 in 2014 to \$39,623 in 2015, a net decrease of \$12,329. This decrease was attributed to: (i) decreased cash earnings from the chemical segment; (ii) a decrease in the change

in accounts payable; and (iii) increases in biodiesel and chemical inventory. In 2015, sales volume reductions in the chemical segment, primarily from the laundry detergent additive, reduced cash from operations. In 2015, increased inventories decreased cash provided by operating activities by \$19,604. In 2014, inventory increased \$3,189. In 2014, accounts payable, including accounts payable to related parties, increased cash \$17,514. In 2015, accounts payable, including accounts payable to related parties, increased cash \$1,388. Mostly offsetting these decreases in cash from operating activities was accounts receivable. In 2015, accounts receivable, including accounts receivable due from related parties, increased cash \$4,979. In 2014, accounts receivable, including accounts receivable due from related parties, decreased cash \$18,059. The absence of a retroactive reinstatement of the BTC in 2013 resulted in a large increase in accounts receivable in 2014 as compared to 2013, which resulted in cash used in operations increasing substantially more in 2014 as compared to 2015.

Cash provided by operating activities decreased from \$62,454 in 2013 to \$51,952 in 2014, a net decrease of \$10,502. This decrease was attributed to: (i) decreased cash earnings from the biofuels segment; (ii) a decrease in the adjustment to cash for the impairment of fixed assets; (iii) a decrease in cash from the change in accounts receivable; (iv) a decrease in cash from an increase in inventory; and (v) a decrease in cash from an increase in accrued expenses and other current liabilities. In 2014, there were impairments of fixed assets of \$247. In 2013, there were impairments of \$18,102 primarily related to the graphite anode material plant and equipment. In 2014, accounts receivable, including accounts receivable due from related parties, decreased cash provided by operating activities by \$18,059. In 2013, accounts receivable, including accounts receivable due from related parties, decreased cash provided by operating activities by \$10,467. This universal reduction was primarily due to the timing and amount of receipts of customer payments and the receivable for the 2014 BTC. In 2014, inventory decreased cash \$3,189. In 2013, inventory decreased cash \$172. In 2014, accrued expenses and other current liabilities, including accrued liabilities and other current liabilities with related parties, decreased cash \$3,110. In 2013, accrued expenses and other current liabilities, including accrued liabilities and other current liabilities with related parties, increased cash \$4,212.

Mostly offsetting these decreases in cash from operating activities was: (i) accounts payable, including accounts payable to related parties; (ii) deferred revenue; and (iii) income tax receivable. In 2014, accounts payable, including accounts payable to related parties, increased cash \$17,514. In 2013, accounts payable, including accounts payable to related parties, decreased cash \$692. In 2014, deferred revenue decreased cash \$2,524 and in 2013, increased cash \$14,734. This change from 2013 was primarily the result of a reduction in the deferred revenue balance as the result of the contract termination by our customer for the anode graphite material. Lastly, in 2014, income tax receivable decreased cash by \$4,984. In 2013, an increase in cash from our income tax receivable balance combined with a decrease in our income tax payable balance in 2013 reduced cash provided by operating activities by \$15,352.

Investing Activities

Cash from investing activities decreased from \$6,708 in 2014 to \$2,025 in 2015. This decrease was primarily attributable to a decrease in the net proceeds from the sale of marketable securities in 2015 compared to 2014. Such proceeds totaled a net \$9,410 in 2015, as compared to total net proceeds of \$15,729 in 2014. Collateralization of derivative instruments helped reduce this reduction in cash. Cash from collateralization of derivative instruments was \$1,239 in 2015 as compared to cash used in 2014 of \$985.

Our capital expenditures and customer reimbursements are summarized in the table below.

(Dollars in thousands)

	2015	2014
Cash paid for capital expenditures and intangible assets	\$8,630	\$8,117
Cash received as reimbursement of capital expenditures	(1,832)	(1,115)
Cash paid, net of reimbursement, for capital expenditures	\$6,798	\$7,002

Cash from investing activities increased from a \$24,111 use of cash in 2013 to \$6,708 of cash from investing activities in 2014. This increase was primarily attributable to an increase in the net proceeds from the sale of marketable securities in 2014 compared to 2013. Such purchases totaled a net \$8,150 in 2013, as compared to total net proceeds of \$15,729 in 2014. In addition, cash used for capital expenditures declined from \$18,542 in 2013 to \$8,117 in 2014. This decrease was attributable to certain larger capital projects undertaken on behalf of certain of our customers being completed in 2013.

Financing Activities

Cash used in financing activities decreased from \$21,044 in 2014 to \$11,678 in 2015. This decrease was primarily due to \$20,928 of cash dividends paid in 2014 as compared to \$10,493 of cash dividends paid in 2015.

Cash used in financing activities increased from \$10,617 in 2013 to \$21,044 in 2014. This increase was primarily due to \$19,292 being received in 2013 from the issuance of stock and no such receipts being present in 2014. Partially offsetting the decrease in proceeds from the issuance of stock was a decrease in dividends paid in 2014. In 2013, dividends paid totaled \$29,904 and included a special dividend of \$0.25 per share of our common stock. In 2014, dividends paid totaled \$20,928 and no special dividends were paid.

Capital Expenditure Commitments

We had no material capital projects that generated commitments as of December 31, 2015.

Historically, we finance capital requirements for our business with cash flows from operations and have not had the need to incur bank indebtedness to finance any of our operations during the periods discussed herein.

Credit Facility

On April 16, 2015, the Company entered in a new credit agreement with a commercial bank. The new credit facility consists of a five-year revolving credit facility in a dollar amount of up to \$150,000, which includes a sublimit of \$30,000 for letters of credit and \$15,000 for swingline loans (collectively, the “Credit Facility”).

We will be permitted to use net proceeds of any borrowings under the Credit Facility for working capital and other general corporate purposes. No borrowings were made under the Credit Facility as of December 31, 2015.

The Credit Facility contains certain affirmative and negative covenants, including negative covenants that limit or restrict, among other things, indebtedness, liens and encumbrances, dividends, burdensome agreements, mergers and fundamental changes, assets sales, investments, transactions with affiliates, changes in fiscal years and other matters customarily restricted in such agreements.

The interest rate floats at the following margins over LIBOR or base rate based upon the leverage ratio from time to time. The material financial covenants, ratios or tests contained in the Credit Facility are i) a consolidated leverage ratio as of the end of any fiscal quarter less than or equal to 3.00 to 1.0; ii) a consolidated fixed charge coverage ratio as of the end of any fiscal quarter of greater than or equal to 1.25 to 1.0; and iii) a minimum liquidity at any time greater than or equal to \$50,000.

Consolidated Leverage Ratio	Adjusted LIBOR Rate Loans and Letter of Credit Fee		Base Rate Loans		Commitment Fee		
< 1.00:1.0		1.25	%	0.25	%	0.15	%
≥ 1.00:1.0 and < 1.50:1.0		1.50	%	0.50	%	0.20	%
≥ 1.50:1.0 and < 2.00:1.0		1.75	%	0.75	%	0.25	%
≥ 2.00:1.0 and < 2.50:1.0		2.00	%	1.00	%	0.30	%
≥ 2.50:1.0		2.25	%	1.25	%	0.35	%

Certain of our subsidiaries have entered into guarantees of payment on behalf of the Company for amounts outstanding under the Credit Facility. In addition, we and certain subsidiaries have entered into a pledge and security agreement with the bank to secure the obligations under the Credit Facility. Pursuant to the pledge and security agreement, we and certain of its subsidiaries have pledged certain collateral, including but not limited to, interests in intellectual property rights and certain equity interests in their subsidiaries.

We intend to fund future capital requirements for our businesses from cash flow generated by us as well as from existing cash, cash investments, and, if the need should arise, borrowings under our credit facility. We do not believe there will be a need to issue any securities to fund such capital requirements.

Department of Energy Grant

We entered into a contract with a customer to design, construct, and operate a commercial-scale plant to produce intermediate anode powder as a component of high-performance graphite anode materials for lithium-ion batteries. In connection with this contract, we applied for a financial assistance award under the Electric Drive Vehicle Battery and Component Manufacturing Initiative administered by the Department of Energy National Energy Technology Laboratory on behalf of the Office of Energy Efficiency and Renewable Energy. An award was granted to us for \$12,600, which we accepted on July 27, 2010. The funds were to be used to modify existing idle assets and to acquire and construct new assets to be used for the production of specialized materials for lithium-ion batteries for electric cars and other applications. We received grant monies on a cost share basis as we incurred construction-related expenditures. On July 29, 2013, FutureFuel received notice from the chemicals segment customer for the intermediate anode powder that the customer would terminate the contract in accordance with its terms effective August 9, 2014. FutureFuel did not produce or sell additional material in 2013 or 2014 under that agreement. As a result of this notice, FutureFuel assessed the carrying values of its fixed assets and deferred revenue associated with this product and recorded an impairment loss of \$17,580 for the equipment and recorded a reduction of deferred revenue as an element of cost of goods sold slightly offset by other expenses in the amount of \$16,160 in the third quarter of 2013. The net impact of this impairment of \$1,420 was recorded in cost of goods sold.

In 2014, FutureFuel's customer paid the final minimum take or pay amounts per the terms of the sales agreement through the termination date. Revenues from this arrangement totaled \$0 and \$8,816 in 2015 and 2014, respectively.

Dividends

In 2015, we paid regular cash dividends aggregating \$0.24 per share on our common stock with record dates and payment dates as previously discussed. The regular cash dividends totaled \$10,493.

In 2014, we paid regular cash dividends aggregating \$0.48 per share on our common stock with record dates and payment dates as previously discussed. The regular cash dividends totaled \$20,928.

Capital Management

As a result of our initial equity offering, our subsequent positive operating results, the exercise of warrants, and the issuance of shares in our At-the-Market offering, we accumulated excess working capital. Some of this excess working capital was paid out in 2013 and 2014 as special cash dividends and as regular cash dividends. Regular cash dividends will also be paid in 2015 as previously discussed. We intend to retain the remaining cash to fund infrastructure and capacity expansion at our Batesville plant or to otherwise fund our future growth. Third parties have not placed significant restrictions on our working capital management decisions.

A significant portion of these funds were held in cash or cash equivalents at multiple financial institutions. In 2015 and 2014, we also had investments in certain preferred stock, trust preferred securities, exchange traded debt, and other equity instruments. We classify these investments as current assets in the accompanying consolidated balance sheets and designate them as being “available-for-sale”. Accordingly, they are recorded at fair value, with the unrealized gains and losses, net of taxes, reported as a component of stockholders’ equity. The fair value of these preferred stock, trust preferred securities, exchange traded debt, and other equity instruments, including accrued dividends and interest, totaled \$74,667 and \$87,720 at December 31, 2015 and 2014, respectively.

Lastly, we maintain depository accounts such as checking accounts, money market accounts, and other similar accounts at selected financial institutions.

Off-Balance Sheet Arrangements

We engage in two types of hedging transactions. First, we hedge our biofuels sales through the purchase and sale of futures contracts and options on futures contracts of energy commodities. This activity was captured on our balance sheet at December 31, 2015 and December 31, 2014. Second, we hedge our biofuels feedstock through the execution of purchase contracts and supply agreements with certain vendors. These hedging transactions are recognized in earnings and were not recorded on our balance sheet at December 31, 2015 or December 31, 2014, as they do not meet the definition of a derivative instrument as defined under GAAP. The purchase of biofuels feedstock generally involves two components: basis and price. Basis covers any refining or processing required as well as transportation. Price covers the purchases of the actual agricultural commodity. Both basis and price fluctuate over time. A supply agreement with a vendor constitutes a hedge when we have committed to a certain volume of feedstock in a future period and have fixed the basis for that volume.

Contractual Obligations

The following table sets forth as of December 31, 2015 the payments due by period for the following contractual obligations.

(Dollars in thousands)

Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt obligations (a)	\$-	\$-	\$-	\$-	\$-
Capital lease obligations	\$-	\$-	\$-	\$-	\$-
Operating lease obligations	\$2,191	\$1,035	\$ 750	\$ 191	\$ 215
Purchase obligations (b)	\$11,206	\$11,206	\$-	\$-	\$-
Other long-term liabilities reflected on our balance sheet under GAAP (c)	\$-	\$-	\$-	\$-	\$-
Total	\$13,397	\$12,241	\$ 750	\$ 191	\$ 215

(a) As of December 31, 2015, we had no borrowings under the \$150 million credit agreement described above.

(b) Purchase obligations within less than one year include (i) the purchase of biodiesel feedstock to be taken during 2016 and (ii) various other infrastructure and capital repairs.

A component of other noncurrent liabilities is a reserve for asset retirement obligations and environmental contingencies of \$822 at December 31, 2015. We are liable for these asset retirement obligations and (c) environmental contingencies only in certain events, primarily the closure of our Batesville, Arkansas facility. As such, we do not expect a payment related to these liabilities in the foreseeable future and therefore we have excluded this amount from the table above.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

In recent years, general economic inflation has not had a material adverse impact on our costs and, as described elsewhere herein, we have passed some price increases along to our customers. However, we are subject to certain market risks as described below.

Market risk represents the potential loss arising from adverse changes in market rates and prices. Commodity price risk is inherent in the chemical and biofuels business both with respect to input (electricity, coal, raw materials, biofuel feedstocks, etc.) and output (manufactured chemicals and biofuels).

We seek to mitigate our market risks associated with the manufacturing and sale of chemicals by entering into term sale contracts that include contractual market price adjustment protections to allow changes in market prices of key raw materials to be passed on to the customer. Such price protections are not always obtained, however, so raw material price risk remains a significant risk.

In order to manage price risk caused by market fluctuations in biofuel prices, we may enter into exchange traded commodity futures and options contracts. We account for these derivative instruments in accordance with ASC 815-20-25, *Derivatives and Hedging, Hedging-General, Recognition*. Under this standard, the accounting for changes in the fair value of a derivative instrument depends upon whether it has been designated as an accounting hedging relationship and, further, on the type of hedging relationship. To qualify for designation as an accounting hedging relationship, specific criteria must be met and appropriate documentation maintained. We had no derivative instruments that qualified under these rules as designated accounting hedges in 2015 or 2014. Changes in the fair value of our derivative instruments are recognized at the end of each accounting period and recorded in the statement of operations as a component of cost of goods sold.

Our immediate recognition of derivative instrument gains and losses can cause net income to be volatile from period to period due to the timing of the change in value of the derivative instruments relative to the sale of biofuel being sold. As of December 31, 2015 and 2014, the fair values of our derivative instruments were a net asset in the amount of \$3,362 and \$68, respectively.

Our gross profit will be impacted by the prices we pay for raw materials and conversion costs (costs incurred in the production of chemicals and biofuels) for which we do not possess contractual market price adjustment protection. These items are principally comprised of crude corn oil and yellow grease and petrodiesel. The availability and price of these items are subject to wide fluctuations due to unpredictable factors such as weather conditions, overall economic conditions, governmental policies, commodity markets, and global supply and demand.

We prepared a sensitivity analysis of our exposure to market risk with respect to key raw materials and conversion costs for which we do not possess contractual market price adjustment protections, based on average prices in 2015. We included only those raw materials and conversion costs for which a hypothetical adverse change in price would result in a 1% or greater decrease in gross profit. Assuming that the prices of the associated finished goods could not be increased and assuming no change in quantities sold, a hypothetical 10% change in the average price of the commodities listed below would result in the following change in annual gross profit.

(Volumes and dollars in thousands)

Item	Volume (a) Requirements	Units	Hypothetical	Decrease in Gross Profit	Percentage	
			Adverse Change in Price		Decrease in Gross Profit	Decrease in Gross Profit
Crude corn oil and yellow grease	297,852	LB	10	% \$ 7,923	13.9	%
Petrodiesel	19,816	GAL	10	% \$ 3,323	5.8	%
Methanol	119,310	LB	10	% \$ 2,195	3.8	%
Natural Gas	103	MWH	10	% \$ 609	1.1	%

Volume requirements and average price information are based upon volumes used and prices obtained for the (a) twelve months ended December 31, 2015. Volume requirements may differ materially from these quantities in future years as our business evolves.

We had no borrowings as of December 31, 2015 or 2014 and, as such, we were not exposed to interest rate risk for those years. Due to the relative insignificance of transactions denominated in a foreign currency, we consider our foreign currency risk to be immaterial.

Item 8. Financial Statements and Supplementary Data.

Financial Statements.

The following sets forth our consolidated balance sheets as at December 31, 2015 and 2014 and our consolidated statements of operations, statements of cash flows, and statements of stockholders' equity for each of the three years in the period ended December 31, 2015, together with RubinBrown LLP's report thereon.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

FutureFuel Corp.:

We have audited the accompanying consolidated balance sheets of FutureFuel Corp. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. FutureFuel Corp.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FutureFuel Corp. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), FutureFuel Corp. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 10, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ RubinBrown LLP

St. Louis, Missouri

March 10, 2016

FutureFuel Corp.**Consolidated Balance Sheets****As of December 31, 2015 and 2014****(Dollars in thousands)**

	2015	2014
Assets		
Cash and cash equivalents	\$ 154,049	\$ 124,079
Accounts receivable, inclusive of the BTC of \$30,895 and \$28,954 and net of allowance of \$0 and \$0, in 2015 and 2014, respectively	46,319	50,135
Accounts receivable – related parties	10	1,173
Inventory	64,957	45,353
Income tax receivable	14,114	19,716
Prepaid expenses	1,642	1,670
Prepaid expenses – related parties	35	-
Marketable securities	74,667	87,720
Deferred financing costs	144	-
Other current assets	3,887	1,619
Total current assets	359,824	331,465
Property, plant and equipment, net	124,330	127,371
Intangible assets	1,408	-
Deferred financing costs	469	-
Other assets	3,078	2,652
Total noncurrent assets	129,285	130,023
Total Assets	\$489,109	\$461,488
Liabilities and Stockholders' Equity		
Accounts payable	\$34,442	\$30,386
Accounts payable - related parties	244	2,912
Current deferred income tax liability	7,060	11,003
Deferred revenue – short-term	2,680	1,940
Contingent liability – short-term	1,151	1,151
Accrued expenses and other current liabilities	2,976	4,649
Accrued expenses and other current liabilities - related parties	-	46
Total current liabilities	48,553	52,087
Deferred revenue – long-term	15,908	15,927
Other noncurrent liabilities	1,219	4,024
Noncurrent deferred income tax liability	29,117	30,441
Total noncurrent liabilities	46,244	50,392
Total Liabilities	94,797	102,479
Commitments and contingencies (Notes 2, 15, 23, and 28)		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
	4	4

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Common stock, \$0.0001 par value, 75,000,000 shares authorized, 43,715,832 and 43,722,388 issued and outstanding as of December 31, 2015 and 2014, respectively

Accumulated other comprehensive income	2,055	4,259
Additional paid in capital	279,231	277,652
Retained earnings	113,002	77,094
Total stockholders' equity	394,312	359,009
Total Liabilities and Stockholders' Equity	\$489,109	\$461,488

The accompanying Notes are an integral part of these financial statements.

FutureFuel Corp.**Consolidated Statements of Operations****For the Years Ended December 31, 2015, 2014, and 2013****(Dollars in thousands)**

	2015	2014	2013
Revenues	\$234,630	\$302,748	\$435,499
Revenues – related parties	64,981	39,090	9,420
Cost of goods sold	233,063	213,172	289,828
Cost of goods sold – related parties	6,662	58,822	50,635
Distribution	2,435	3,536	3,899
Distribution - related parties	405	335	392
Gross profit	57,046	65,973	100,165
Selling, general, and administrative expenses			
Compensation expense	4,955	4,268	3,647
Other expense	2,164	2,195	2,421
Related party expense	215	214	399
Research and development expenses	2,741	3,168	3,444
Operating earnings	10,075	9,845	9,911
Income from operations	46,971	56,128	90,254
Interest and dividend income	5,106	6,877	5,875
Interest expense	(134)	(25)	(24)
Gain on marketable securities	107	4,335	1,646
Other income (expense)	(181)	30	(400)
Other income	4,898	11,217	7,097
Income before income taxes	51,869	67,345	97,351
Provision for income taxes	5,448	14,145	23,317
Net income	\$46,421	\$53,200	\$74,034
Earnings per common share:			
Basic	\$1.06	\$1.22	\$1.71
Diluted	\$1.06	\$1.22	\$1.71
Weighted average shares outstanding:			
Basic	43,432,149	43,357,602	43,237,513
Diluted	43,445,730	43,392,011	43,276,931

Comprehensive income	2015	2014	2013
Net income	\$46,421	\$53,200	\$74,034
Other comprehensive income (loss) – unrealized gains (losses) on marketable securities, net of tax benefit of (\$1,314) in 2015 and (\$1,980) in 2014, and net of tax of \$3,018 in 2013	(2,204)	(3,177)	4,839
Comprehensive income	\$44,217	\$50,023	\$78,873

The accompanying Notes are an integral part of these financial statements.

45

FutureFuel Corp.**Consolidated Statements of Cash Flows****For the Years Ended December 31, 2015, 2014, and 2013****(Dollars in thousands)**

	2015	2014	2013
Cash flows provided by operating activities			
Net income	\$46,421	\$53,200	\$74,034
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,187	8,981	10,316
Provision for (benefit from) deferred income taxes	(3,721)	5,388	(1,972)
Change in fair value of derivative instruments	(3,295)	(396)	(617)
Other than temporary impairment of marketable securities	606	-	336
Impairment of fixed assets	-	247	18,102
Gain on sale of investments	(713)	(4,335)	(1,982)
Losses on disposals of fixed assets	178	108	261
Stock based compensation	2,043	1,440	-
Noncash interest expense	26	25	24
Changes in operating assets and liabilities:			
Accounts receivable	3,816	(21,515)	(5,838)
Accounts receivable – related parties	1,163	3,456	(4,629)
Inventory	(19,604)	(3,189)	(172)
Income taxes receivable	5,602	(4,984)	(14,732)
Prepaid expenses	28	173	(248)
Prepaid expenses - related parties	(35)	-	32
Accrued interest on marketable securities	30	99	(79)
Other assets	(668)	65	(266)
Accounts payable	4,056	15,459	2,338
Accounts payable - related parties	(2,668)	2,055	(3,030)
Income taxes payable	-	-	(620)
Accrued expenses and other current liabilities	(1,673)	(3,153)	4,209
Accrued expenses and other current liabilities - related parties	(46)	43	3
Deferred revenue	721	(2,524)	(14,734)
Other noncurrent liabilities	(2,831)	1,309	1,718
Net cash provided by operating activities	39,623	51,952	62,454
Cash flows from investing activities			
Collateralization of derivative instruments	1,239	(985)	1,374
Purchase of marketable securities	(39,136)	(41,369)	(49,348)
Proceeds from the sale of marketable securities	48,546	57,098	41,198
Sales of auction rate securities	-	-	1,150
Proceeds from the sale of fixed assets	6	81	57
Expenditures for intangible assets	(1,408)	-	-
Capital expenditures	(7,222)	(8,117)	(18,542)

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Net cash provided by (used in) investing activities	2,025	6,708	(24,111)
Cash flows from financing activities			
Proceeds from the issuance of stock	-	-	19,292
Minimum tax withholding on stock options exercised	(120)	(175	