

FutureFuel Corp.  
Form 10-K  
March 15, 2019

Table of Contents

**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, 2018

**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

(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) 854-8352**

(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

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

Edgar Filing: FutureFuel Corp. - Form 10-K

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company  Emerging growth company

(Do not check if a smaller reporting company)

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

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

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.

\$358,626,929

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 43,743,243



Table of Contents

**Table of Contents**

	Page
<u>Part I</u>	
<u>Item 1. Business.</u>	1
<u>Item 1A. Risk Factors.</u>	15
<u>Item 1B. Unresolved Staff Comments.</u>	26
<u>Item 2. Properties.</u>	26
<u>Item 3. Legal Proceedings.</u>	26
<u>Item 4. Mine Safety Disclosures.</u>	26
<u>Part II</u>	27
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	27
<u>Item 6. Selected Financial Data.</u>	30
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	31
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk.</u>	44
<u>Item 8. Financial Statements and Supplementary Data.</u>	45
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	81
<u>Item 9A. Controls and Procedures.</u>	81
<u>Item 9B. Other Information.</u>	85
<u>Part III</u>	86
<u>Item 10. Directors, Executive Officers, and Corporate Governance.</u>	86
<u>Item 11. Executive Compensation.</u>	92
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	101
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence.</u>	103
<u>Item 14. Principal Accountant Fees and Services.</u>	104
<u>Part IV</u>	106
<u>Item 15. Exhibits and Financial Statement Schedules.</u>	106

Table of Contents

**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. Trading of our common stock on the New York Stock Exchange (“NYSE”) commenced on March 23, 2011 under the symbol “FF”.

We are headquartered in St. Louis, Missouri and our sole manufacturing operations are conducted through our wholly-owned subsidiary, FutureFuel Chemical Company, at our facility in Batesville, Arkansas. Our business is managed in two 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 our customers.

During 2018, we distributed normal quarterly cash dividends of \$0.06 per share on our common stock. Additionally, we have declared normal quarterly cash dividends of \$0.06 per share on our common stock for the calendar year 2019.

*FutureFuel Chemical Company*

FutureFuel Chemical Company, a wholly-owned subsidiary of FutureFuel Corp., is a Delaware corporation that manufactures diversified chemical products, bio-based products comprised of biofuels, and bio-based specialty chemical products.

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.

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 compete 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 slightly reduced rate during 2018 without the reinstatement of the blenders' tax credit ("BTC") which weakened market conditions for renewable fuel. The BTC was retroactively reinstated for fiscal year 2017 in February of 2018, however, the BTC has not been extended past 2017. The 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 16 below.

Table of Contents

**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) 854-8352. 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.

*Operations*

For the year ended December 31, 2018, approximately 60% of our revenue was derived from biofuels, 33% from manufacturing specialty chemicals for specific customers ("custom manufacturing"), and 7% 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 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. 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 <http://www.biodiesel.org/using-biodiesel/market-segments/general-interest>.

## Table of Contents

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 biodiesel blend is currently used in the facility’s diesel fleet and is available for retail sale at the site. We offer B100 and biodiesel blended with petrodiesel (B2, B5, B10, B20, and B50 blends) 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 wide spread availability and ease of processing. 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 continues a transition from this 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> . Our continuous production line produces biodiesel from these second-generation lower-cost feedstocks with high-free fatty acids. Our plant has demonstrated a production capacity in excess of 58 million gallons of biodiesel per year.

### *Legislative Incentives*

Biodiesel production and use in the United States continues to be driven in large part 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. 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).

Table of Contents

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 biomass-based diesel mandate rose annually and reached 2.10 billion gallons per year in 2018. Currently, the mandate is determined by the USEPA in coordination with the U.S. Secretaries of Energy and Agriculture. The last update to the mandate was issued on November 30, 2018, when the USEPA finalized the volume requirements and percentage standards under the RFS2 program for 2019 for cellulosic biofuel, biomass based diesel, advanced biofuel, and total renewable fuel.

The following table shows the finalized volume requirement by the USEPA with a modest grow rate in biomass-based diesel.

	<b>Final Renewable Fuel Volumes</b> <sup>(a)(c)</sup>			
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Cellulosic biofuel (million gallons)	311	288	418	n/a
Biomass-based diesel (billion gallons)	2.00	2.10	2.10 <sup>(b)</sup>	2.43
Advanced biofuel (billion gallons)	4.28	4.29	4.92	n/a
Renewable fuel (billion gallons)	19.28	19.29	19.92	n/a

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

(b) The 2019 biomass-based diesel volume requirement was established in the 2018 final rule (82 FR 58486, December 12, 2017)

(c) See

<https://www.epa.gov/renewable-fuel-standard-program/final-renewable-fuel-standards-2019-and-biomass-based-diesel-volu>

U.S. biomass-based diesel production, of which biodiesel represents a significant amount, exceeded the federal mandate from 2014 through 2018 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

<https://www.epa.gov/fuels-registration-reporting-and-compliance-help/rins-generated-transactions>

## Table of Contents

### 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 BTC applicable to all biodiesel. 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 expired on December 31, 2016. The BTC was not in place during 2017, however, in February of 2018, the BTC was retroactively reinstated for 2017. The BTC has not been extended past 2017.

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 expired on December 31, 2016, but in February 2018, this credit was also retroactively reinstated for 2017. This credit has not been extended past 2017.

### 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 2018. 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. We also are registered in the states of California and Oregon fuel programs which incentivize the use of low carbon fuels specific to biomass-based diesel. Washington is in the process of implementing a similar program. As we expand our business, we will assess these and other state incentives and determine if we qualify. We will also stay abreast of regulations and update registrations if eligible.

### 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.

## Table of Contents

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 RINs have historically been 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. Countervailing duties levied in 2017 by the U.S. Commerce Department in on biodiesel imported from Argentina and Indonesia reduced excess supply of imported glycerin. The U.S glycerin market corrected in 2018 with supply/demand more in balance. See <https://www.icis.com/explore/resources/news/2018/07/18/10242376/us-glycerine-market-finely-balanced-in-h2-2018/>. Crude glycerin (as generated from biodiesel production) is commonly sold into energy exploration and water treatment markets for limited value, the price of which is determined by energy prices, product supply, and corn commodity prices.

## Table of Contents

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 formulations, 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, Fifteenth Edition*, (2019, January), the United States has a total combined annual capacity of 2,470.92 million gallons from 121 biodiesel plants. See <https://www.directory.biodieselmagazine.com>. Available plant capacity decreased 43 million gallons from 2017. However, a reported total of 10 plants with 190.5 million gallons of capacity are under construction (expansion, retrofit, and greenfield projects) in the U.S. Both current and anticipated biodiesel production capacities remain in excess of the federal mandate. We believe that the biodiesel industry will continue to be highly competitive given the excess capacity.

### *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 mainly for transportation. 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, 2018, four of our customers represented approximately 58% of our biofuels revenues (35% of total revenues). For the twelve months ended December 31, 2017 and 2016, three and two of our customers represented approximately 44% and 29% of our biofuels revenues (27% and 17% of total revenues), respectively, with the remaining biofuels spread across multiple other customers. We do not have long term contracts with any biofuels customer, but rather sell on the basis of monthly or short-term, multi-month purchase orders at prices based upon then-prevailing market rates. We do not believe that the loss of any of these customers 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.

Renewable diesel is a rapidly growing competing biofuel to biodiesel. Renewable diesel is produced via hydrotreating a biomass-based feedstock. Hydrotreating is a process widely used in petroleum refineries in which hydrogen is used to replace sulfur, oxygen and nitrogen atoms. In production of renewable diesel, hydrotreating is used to convert the biomass triglyceride molecules into paraffinic hydrocarbons. The resultant renewable diesel has several advantages over conventional biodiesel including the ability to be blended into petroleum diesel at higher blend levels and the ability to be transported via conventional fuel pipelines.

## Table of Contents

The primary manufacturers of renewable biodiesel include Neste, Diamond Green, REG and ENI. Biofuels Digest's recently estimated that there is close to two billion dollars of new investments being made to expand capacity of renewable diesel.

<https://www.biofuelsdigest.com/bdigest/2018/12/15/from-neste-fulcrum-others-making-renewable-diesel-a-dream-come-true/>. Jacobsen reported current renewable diesel capacity as 1.24 billion gals with an additional 1.08 billion gallons planned/under construction

<https://conference.thejacobsen.com/wp-content/uploads/2018/05/John-Cusick-Renewables-Forward-Curve-1.pdf>

### *Domestic 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 nine largest producers in terms of production capacity of biodiesel in the United States in 2018 were Renewable Energy Group, Inc., World Energy, RBF Port Neches LLC, Ag Processing Inc., Cargill Inc., Louis Dreyfus Agricultural Industries LLC, Archer Daniels Midland Co. - Velva, Cincinnati Renewable Fuels, and FutureFuel Chemical Company. See *Biodiesel Magazine, Fifteenth Edition*, (2019, January). These nine producers account for 57% of the total production capacity that was available in 2018. Additionally, we compete with numerous other smaller producers and evolving renewable diesel and 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, reclaimed used cooking oil, 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.

## Table of Contents

### *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.

### *Outlook for the Biodiesel Industry/Our Future Strategy*

The BTC was reinstated on December 18, 2015, and made retroactive to January 1, 2015, and expired on December 31, 2016. The BTC was not in place during 2017, however, in February 2018, the BTC was retroactively reinstated for 2017. 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. 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 manufacturing 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 is our laundry detergent additive product, which is produced for a major detergent and consumer products manufacturer. The other was a proprietary herbicide and associated intermediates we produced for a former long-term Agro chemical customer. We ceased production for this latter 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 current custom manufacturing product portfolio is diversified into multiple markets including agrochemicals, oilfield chemicals, industrial intermediates, polymer modifiers and fabric care markets.

## Table of Contents

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 acetalbased 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 and external manufacturing strategy. In such cases, we may be unable to increase or maintain our level of sales revenue for these products.

We have agreed to extend the supply of our laundry detergent additive to our customer through 2020. However, there is no guarantee that this customer will purchase any laundry detergent additive after 2019. This customer had previously expressed its intent to terminate the supply arrangement effective December 31, 2015, but agreed to amended terms. Demand for the laundry detergent additive has continued to decrease. 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.



One of our chemical customers, DowDupont Inc. and its affiliates, represented 10% or more of our 2018 and 2017 consolidated sales revenues. This customer represented approximately 27% and 30% of our chemicals revenue (11% and 11% of total revenues) in 2018 and 2017, respectively. We sell multiple products to various affiliates of this customer under both long-term and short-term contracts. For this reason, we believe the loss of this customer is unlikely, but would have a material impact on our financials temporarily while we sought to source other custom chemical contracts for the equipment. For the twelve months ended December 31, 2016, none of our customers represented 10% or more of total 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 international 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 international 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 is the biofuels co-products, which are recovered from local processing.

Table of Contents

*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 is 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 are 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, 2018, 2017, and 2016 were \$3,524, \$3,659, and \$2,715, 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.

Table of Contents

*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 of 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 thereunder 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.

Table of Contents

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 \$10,940, \$11,488, and \$11,136 for the years ended December 31, 2018, 2017, and 2016, 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 our 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 over 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 5.8% over the past five years.

Table of Contents

**Available Information**

We file annual, quarterly, and other reports, proxy statements, and other information with the SEC. 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](http://www.futurefuelcorporation.com). We make available free of charge, through the “Investor Relations - SEC Filings” section of our Internet website ( <https://futurefuelcorporation.gcs-web.com/financial-information/sec-filings> ), 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 (<https://futurefuelcorporation.gcs-web.com/corporate-governance> ), 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.



Table of Contents

**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 expired on December 31, 2016 and it was not in place during 2017. However, in February 2018, the BTC was retroactively reinstated for 2017. The BTC has not been extended past December 31, 2017. 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 and results of operations.

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 and expired on December 31, 2016. The BTC was not in place during 2017, however, in February 2018, the BTC was retroactively reinstated for 2017. The BTC has not been extended past December 31, 2017. There is no guarantee that the BTC will be reinstated, which could 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 federal or state governments 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. Also, portions of our biofuels may from time to time be registered in states where we obtain benefits from state specific subsidies, mandates or programs. If federal or state 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.

Table of Contents

*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, trade disputes, 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 is well in excess of the current 2.1 billion gallons per year RFS2 mandate for 2018 and 2019. The excess of production capacity over the 2019 and 2020 mandates 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.

Biodiesel is encountering increased competition from renewable diesel, which is produced via hydrotreating a biomass-based feedstock. Renewable diesel can be used interchangeably with conventional petroleum diesel and is not limited in blends and can be transported via existing fuel pipeline infrastructure.

The primary manufactures of renewable biodiesel include Neste, Diamond Green, REG and ENI. Biofuels Digest's recently estimated that there is close to two billion dollars of new investments being made to expand capacity of renewable diesel.

<https://www.biofuelsdigest.com/bdigest/2018/12/15/from-neste-fulcrum-others-making-renewable-diesel-a-dream-come-true/>.

Jacobsen reported current renewable diesel capacity as 1.24 billion gals with an additional 1.08 billion gallons planned/under construction.

Table of Contents

***We are reliant upon a relatively small number of customers.***

Our chemical business is concentrated with five large strategic customers covering multiple products representing greater than 81% of our chemicals segment product sales, or 33% 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 these two biodiesel customers totaled approximately 20% of total revenues in 2018 (or \$57,198), compared to one large customer with total revenue of 14% in 2017 (or \$38,917) and 14% in 2016 (or \$35,568). 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.

Table of Contents

***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 hydrotreating 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 provide assurances 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 provide assurances 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.



Table of Contents

***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.

Table of Contents

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 hold a \$165 million revolving credit facility with a commercial bank. Although as of the date of this report we have no outstanding borrowings under this facility, if and 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.

Table of Contents

***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, 2018, 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.

Table of Contents

***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 operate at full capacity. Further, plants under construction and expansion in the United States as of December 31, 2018, 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.

Table of Contents

***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. The first such triennial report was published in January 2011. The second triennial report was published June 29, 2018. The 2018 report reaffirms the findings of the 2011 report and reflects the current understanding about biofuel production using data gathered through May 2017. See

[https://cfpub.epa.gov/si/si\\_public\\_record\\_report.cfm?Lab=IO&dirEntryId=341491](https://cfpub.epa.gov/si/si_public_record_report.cfm?Lab=IO&dirEntryId=341491).

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.

Table of Contents

***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.

***We are exposed to operating risks***

As a manufacturer of diversified chemical products and biofuels, our business is subject to operating risks common to chemical manufacturing, storage, handling, and transportation. These risks include, but are not limited to, fires, explosions, inclement weather, natural disasters, mechanical failure, unscheduled downtime, transportation interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases. Significant limitation on our ability to manufacture products due to disruption of manufacturing operations or related infrastructure could have a material adverse effect on our sales revenue, costs, results of operations, and financial condition.

Disruptions could also occur due to internal factors such as computer or equipment malfunction (accidental or intentional), operator error, or process failures or external factors such as computer or equipment malfunction at third-party service providers, natural disasters, pandemic illness, changes in laws or regulations, war or other outbreak of hostilities or terrorism, cyber-attacks, or breakdown or degradation of transportation infrastructure used for delivery of supplies to the Company or for delivery of products to customers. We have in the past experienced cyber-attacks and breaches of our computer information systems, and although none of these have had a material adverse effect on our operations, no assurances can be provided that any future disruptions due to these, or other, circumstances will not have a material effect on operations. Such disruptions could result in an unplanned event that could be significant in scale and could negatively impact operations, neighbors, and the environment, and could have a negative impact on our results of operations.

## **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, 43,743,243 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 or changes to 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.

Table of Contents

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 17,725,100 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.

Table of Contents

**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.

**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.



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

The shares of our common stock are traded on the NYSE under the trading symbol “FF”. As of March 15, 2019, there are 43,743,243 shares of our common stock outstanding.

**Holdings**

The shares of our common stock were held by approximately 273 holders of record on March 15, 2019 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**

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 2017 and 2018 as follows:

<b>Per Share Amount</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Date of Declaration</b>
\$2.29	December 16, 2016	January 13, 2017	November 30, 2016
\$0.06	March 1, 2017	March 15, 2017	November 30, 2016
\$0.06	June 1, 2017	June 15, 2017	November 30, 2016
\$0.06	September 1, 2017	September 15, 2017	November 30, 2016
\$0.06	December 1, 2017	December 15, 2017	November 30, 2016
\$0.06	March 1, 2018	March 15, 2018	December 6, 2017
\$0.06	June 1, 2018	June 15, 2018	December 6, 2017
\$0.06	September 4, 2018	September 18, 2018	December 6, 2017
\$0.06	December 3, 2018	December 17, 2018	December 6, 2017



We have also declared dividends for 2019 as follows:

<b>Per Share Amount</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Date of Declaration</b>
\$0.06	March 1, 2019	March 15, 2019	November 19, 2018
\$0.06	June 3, 2019	June 17, 2019	November 19, 2018
\$0.06	September 3, 2019	September 17, 2019	November 19, 2018
\$0.06	December 2, 2019	December 16, 2019	November 19, 2018

No assurances can be given that we will declare or pay dividends for years after 2019.

Table of Contents**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 2017 annual shareholder meeting on September 7, 2017 (the “Incentive Plan”). We do not have any other equity compensation plan or individual equity compensation arrangement. Under the Incentive Plan, awards are limited to 10% of the issued and outstanding shares of our common stock in the aggregate. The shares to be issued under the Incentive Plan were registered with the SEC on a Form S-8 filed on November 9, 2017. Through December 31, 2018, we issued 10,000 options to purchase shares of our common stock and awarded no shares to participants under the Incentive Plan.

The following additional information regarding the incentive plans is as of December 31, 2018.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	40,000(*)	\$ 14.55(*)	4,364,167

(\*) 30,000 shares granted pursuant to a prior separate omnibus incentive plan (the “Prior Plan”), which was adopted by our shareholders at our 2007 annual shareholder meeting on June 26, 2007. The shares to be issued under the Prior Plan were registered with the SEC on a Form S-8 filed on April 29, 2008. The Prior Plan expired on June 26, 2017. Under the Prior Plan, we were authorized to issue 2,670,000 shares of our common stock. Through the expiration of the Prior Plan, we issued options to purchase 1,060,500 shares of our common stock and awarded an additional 414,800 shares to participants under the Prior Plan. No further awards will be granted under the Prior Plan.

Table of Contents

**Performance Graph**

The graph below matches the cumulative 5-Year total return of holders of FutureFuel Corp's common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of forty five companies that includes: Aemetis Inc., American Resources Corp, Benchmark Energy Corp, Bioamber Inc., Blue Sugars Corp, Bluefire Renewables Inc., Cardinal Ethanol LLC, Celanese Corp, Cleantech Biofuels Inc., Codexis Inc., Easylink Solutions Corp, ESP Resources Inc., Evolution Fuels Inc., Global Energy Inc., Granite Falls Energy LLC, Green Energy Live Inc., Green Energy Resources Inc., Green Plains Inc., Green Plains Partners LP, Greenbelt Resources Corp, Greenshift Corp, Heron Lake Bioenergy LLC, Highwater Ethanol LLC, Image Biotherapeutics Corp, Innophos Holdings Inc., International Flavors & Fragrances Inc., Koppers Holdings Inc., Kreido Biofuels Inc., Long Beard Breweries Inc., Methes Energies International Ltd, New America Energy Corp, Nouveau Life Pharmaceuticals Inc., N Technology Inc., Ozop Surgical Corp, Pacific Ethanol Inc., Rayonier Advanced Materials Inc., Red Trail Energy LLC, Renewable Energy Group Inc., Rex American Resources Corp, Sino United Worldwide Consolidated Ltd, Southwest Iowa Renewable Energy LLC, Tantech Holdings Ltd, Tapinator, Inc., Westlake Chemical Partners LP and Zeons Corp. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on December 31, 2013 and tracks it through December 31, 2018.

**Recent Sales of Securities**

We did not sell any of our securities within the three-year period ended December 31, 2018 in transactions that were not registered under the Securities Act.

**Purchase of Securities by Us**

During 2018, 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.

Table of Contents**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, 2014, 2015, 2016, 2017, and 2018. 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. The financial data presented is not directly comparable between periods as a result of the adoption of ASC Topic 606, *Revenue from Contracts with Customers* in 2018.

(Dollars in thousands, except per share amounts)

<b>Item</b>	<b>Twelve Months Ended December 31, 2018</b>	<b>Twelve Months Ended December 31, 2017</b>	<b>Twelve Months Ended December 31, 2016</b>	<b>Twelve Months Ended December 31, 2015</b>	<b>Twelve Months Ended December 31, 2014</b>
Operating Revenues	\$ 291,018	\$ 275,026	\$ 253,193	\$ 299,611	\$ 341,838
Net income	\$ 53,158	\$ 23,511	\$ 56,341	\$ 46,421	\$ 53,200
Earnings per common share:					
Basic	\$ 1.22	\$ 0.54	\$ 1.29	\$ 1.06	\$ 1.22
Diluted	\$ 1.22	\$ 0.54	\$ 1.29	\$ 1.06	\$ 1.22
Total Assets	\$ 471,155	\$ 425,563	\$ 529,043	\$ 489,109	\$ 461,488
Long-term obligations	\$ 42,586	\$ 38,686	\$ 52,181	\$ 46,244	\$ 50,392
Dividends declared per common share	\$ 0.24	\$ 0.24	\$ 2.77	\$ 0.24	\$ 0.48
Net cash provided by operating activities	\$ 85,955	\$ 39,347	\$ 90,975	\$ 39,623	\$ 51,952
Net cash provided by (used in) investing activities	\$ 25,064	\$ (13,183 )	\$ (35,207 )	\$ 2,025	\$ 6,708
Net cash used in financing activities	\$ (10,674 )	\$ (110,809 )	\$ (10,545 )	\$ (11,678 )	\$ (21,044 )

Table of Contents

**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 groups: custom chemicals and performance chemicals. The custom chemicals group is comprised of 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 by better utilizing resources and is committed to growing each segment.

Major products in the custom chemicals group include: (i) a 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 and antioxidant precursors for a customer and (iv) a biocide intermediate for another customer. The custom chemicals 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. In 2018, we entered into a new agreement to extend the supply of the laundry detergent additive to this customer through 2020 at reduced volumes and prices. However, there is no guarantee that this customer will order any laundry detergent

additive after 2019. We previously acquired intellectual property rights related to the laundry detergent additive and are working to leverage this intellectual property to find new customers for this product.

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, 2020. No assurances can be given, however, that the agreement will be further extended past 2020.

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.

Table of Contents

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.

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.

Period	United States	All Foreign Countries		Total
		United States	Foreign Countries	
Year ended December 31, 2018	\$289,019	\$ 1,999		\$291,018
Year ended December 31, 2017	\$271,635	\$ 3,391		\$275,026
Year ended December 31, 2016	\$250,320	\$ 2,873		\$253,193

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, such 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 does not differentiate related party transactions.



Table of Contents**Fiscal Year Ended December 31, 2018 Compared to Fiscal Year Ended December 31, 2017**

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

(Dollars in thousands other than per share amounts)

	<b>Twelve Months Ended December 31, 2018</b>	<b>Twelve Months Ended December 31, 2017</b>	<b>Dollar Change</b>	<b>% Change</b>	
Revenues	\$ 291,018	\$ 275,026	\$ 15,992	5.8	%
Income from operations	\$ 63,439	\$ 9,887	\$ 53,552	541.6	%
Net income	\$ 53,158	\$ 23,511	\$ 29,647	126.1	%
Earnings per common share:					
Basic	\$ 1.22	\$ 0.54	\$ 0.68	125.9	%
Diluted	\$ 1.22	\$ 0.54	\$ 0.68	125.9	%
Capital expenditures (net of customer reimbursements and regulatory grants)	\$ 2,550	\$ 3,406	\$ (856 )	(25.1)	%
Adjusted EBITDA	\$ 73,912	\$ 26,353	\$ 47,559	180.5	%

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.

Table of Contents

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

(Dollars in thousands)

	<b>Twelve months ended December 31:</b>	
	<b>2018</b>	<b>2017<sup>(1)</sup></b>
Adjusted EBITDA	\$73,912	\$26,353
Depreciation	(10,969)	(11,617)
Non-cash stock-based compensation	(357 )	(998 )
Interest and dividend income	9,183	7,809
Non-cash interest expense (including amortization of deferred financing costs)	(173 )	(172 )
Losses on disposal of property and equipment	(41 )	(195 )
Gains/(losses) on derivative instruments	633	(3,844 )
Losses on marketable securities	(12,011)	(687 )
(Provision)/benefit for income taxes	(7,019 )	6,862
Net income	\$53,158	\$23,511

(1) Prior year amounts have been restated to be consistent with current year classifications.

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

(Dollars in thousands)

	<b>Twelve months ended December 31:</b>	
	<b>2018</b>	<b>2017</b>
Adjusted EBITDA	\$73,912	\$26,353
Benefit for deferred income taxes	(1,253 )	(13,657)
Impairment of fixed assets	258	28
Interest and dividend income	9,183	7,809
(Provision)/ benefit for income taxes	(7,019 )	6,862

Edgar Filing: FutureFuel Corp. - Form 10-K

Gains/(losses) on derivative instruments	633	(3,844 )
Change in fair value of derivative instruments	(2,130 )	2,170
Changes in operating assets and liabilities, net	12,030	13,626
Other	(1 )	-
Net cash provided by operating activities	\$85,613	\$39,347

34

---

Table of Contents*Results of Operations**Consolidated*

(Dollars in thousands)	2018 Compared to 2017:				2017 Compared to 2016:				
	2018	2017	Change		2017	2016	Change		
Sales	\$291,018	\$275,026	\$15,992	5.8 %	\$275,026	\$253,193	\$21,833	8.6 %	
Volume/product mix effect			\$8,787	3.2 %			\$(23,743)	(9.4% )	
Price effect			\$7,205	2.6 %			\$45,576	18.0 %	
Gross profit	\$73,398	\$20,261	\$53,137	262.3 %	\$20,261	\$46,858	\$(26,597)	(56.8%)	
Operating expense	\$9,959	\$10,374	\$(415 )	(4.0%)	\$10,374	\$10,335	\$39	0.4 %	

**2018 Compared to 2017**

Consolidated sales revenue increased 5.8% or \$15,992 in 2018 compared to 2017. This increase primarily resulted from higher selling prices in the biofuel and chemical segments. Chemical sales volumes increased primarily from the improved conditions in the agrochemical and energy markets.

Gross profit increased \$53,137 in 2018 compared to 2017. This increase was primarily attributable to: i) the reinstatement of the biodiesel BTC for 2017 in 2018, amounting to \$28,865 (see Note 3 for further details); ii) increased volumes in the chemical segment from the agrochemical and energy markets; iii) gains in the unrealized and realized activity in derivative instruments as compared to losses in the prior year;- the change in the derivative activity increased gross profit \$633 in 2018 as compared to decreasing gross profit \$3,844 in 2017; and iv) the benefit of adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting. The LIFO adjustment decreased gross profit \$ 2,249 in 2018 as compared to decreased gross profit \$5,204 in 2017. The change in LIFO did not result in a lower of cost or market adjustment in 2018 but did in 2017 in the amount of \$276.

Operating expenses decreased \$415 in 2018 compared to 2017. This decrease was primarily the result of lower compensation expense and research and development expense.

*Provision for Taxes*

The provision for taxes in 2018 was 11.7% or \$7,019 as compared to a benefit of 41.2% or \$6,862 in 2017.

FutureFuel's effective tax rate for the year 2018 reflects FutureFuel's uncertain tax position on prior year income of \$2,728, net (\$2,804, gross) plus interest of \$448 in the fourth quarter of 2018. See Note 14 for further details. Partially reducing provision for income taxes was the benefit of the reinstatement of certain tax credits and incentives for 2018, the most significant of which was the BTC and Small Agri-biodiesel Producer Tax Credit. The BTC and Small Agri-biodiesel Producer Tax Credit was retroactively extended for 2017 (but, not beyond December 31, 2017) on February 9, 2018. This tax benefit was recorded in FutureFuel's first quarter 2018 results. Please see Note 3 for a discussion of the impact of the BTC for the years ended December 31, 2016, 2017, and 2018.

FutureFuel's effective tax rate for the year 2017, reflects a one-time benefit from The Tax Cuts and Jobs Act of 2017 ("The Act"). The Act provided for a federal tax rate from 35% to 21%, effective January 1, 2018. FutureFuel recognized a one-time \$12,066 income tax benefit from anticipated lower tax rates on future reversals of deferred tax liabilities.

FutureFuel's unrecognized tax benefits totaled \$2,804 and \$0 at December 31, 2018 and 2017, respectively.

Table of Contents

**2017 Compared to 2016**

Consolidated sales revenue increased 8.6% or \$21,833 in 2017 compared to 2016. This increase primarily resulted from higher selling prices in the biofuel and chemical segments and increased chemical sales volumes primarily from the improved conditions in the agrochemical and energy markets. The biofuels segment suffered from lower sales volumes largely from the expiration of the BTC.

Gross profit decreased by 56.8% or \$26,597 in 2017 compared to 2016. This decrease was primarily attributable to: i) the absence of the biodiesel BTC, ii) reduced profitability from product mix in the chemical segment and iii) the impact of adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting. The LIFO adjustment reduced gross profit \$5,204 in 2017 and increased gross profit \$584 in 2016. The change in LIFO resulted in a lower of cost or market adjustment of \$276 in 2017 as compared to \$1,435 in 2016. Partially offsetting this decrease was higher profits from increased chemical sales volumes from the agrochemical and energy markets and reduced losses in the unrealized and realized activity in derivative instruments. The change in the derivative activity reduced gross profit \$3,844 in 2017 as compared to \$6,220 in 2016.

Operating expenses increased \$39 in 2017 compared to 2016. This increase was primarily the result of higher research and development expenditures on custom chemicals, partially offset by decreased compensation expense.

*Provision for Taxes*

The benefit from income taxes decreased 55.8% to \$6,862 in 2017 from \$15,535 in 2016.

FutureFuel's effective tax rate for the year December 31, 2016 reflects the positive effect of the reinstatement of certain tax credits and incentives for 2016, the most significant of which were the BTC and Small Agri-biodiesel Producer Tax Credit. The BTC and Small Agri-biodiesel Producer Tax Credit present in 2016 were not in effect during 2017. However, these credits and incentives were retroactively extended for 2017 (but not beyond 2017) on February 9, 2018. The tax benefit of this retroactive extension for 2017 was recorded in FutureFuel's first quarter 2018 results.

On December 22, 2017, The Tax Cuts and Jobs Act of 2017 ("The Act") was enacted. The Act provides for a decrease in the overall federal tax rate from 35% to 21% effective January 1, 2018. As a result of the Act, FutureFuel recognized a one-time \$12,066 income tax benefit due to an anticipated lower tax rate for future reversals of deferred tax liabilities.

Prior to 2013, FutureFuel had historically included the BTC in taxable income as a reduction in cost of goods sold on its federal and state income tax returns. In 2013, as a result of then recently issued technical guidance from the IRS, FutureFuel changed its position related to the benefit from the biodiesel BTC to exclude this credit from taxable income for 2010 and all future years. Please see Note 3 of our consolidated financial statements for a discussion of the impact of the BTC for the years ended December 31, 2016, 2017 and 2018.

FutureFuel's unrecognized tax benefits totaled \$0 and \$2,056 at December 31, 2017 and 2016, respectively.

*Chemicals Segment*

(Dollars in thousands)	2018 Compared to 2017:				2017 Compared to 2016:			
	2018	2017	Change	%	2017	2016	Change	%
Sales	\$117,128	\$105,386	\$11,742	11.1%	\$105,386	\$100,907	\$4,479	4.4%
Volume/product mix effect			8,353	7.9%			2,609	2.6%
Price effect			3,389	3.2%			1,870	1.8%
Gross profit	\$33,986	\$28,016	\$5,970	21.3%	\$28,016	\$32,055	\$(4,039)	(12.6%)



Table of Contents

**2018 Compared to 2017**

Chemical sales revenue increased 11.1% or \$11,742 in 2018 compared with 2017. Sales revenue for our custom chemicals product line (chemicals produced for specific customers) totaled \$97,746, an increase of \$9,841 from 2017. This increase was primarily attributed to increased sales volumes in the agrochemical and energy markets, new customer product sales, and increased amortization of deferred revenue (which was presented as a price variance). This increase was partially offset by reduced sales volumes and price of our laundry detergent additive. Our contract for sales of the laundry detergent additive expires December 31, 2020, however, there is no guarantee that this customer will order any laundry detergent additive after 2019. We continue to pursue other customers for this product. Performance chemicals revenue (comprised of multi-customer products which are sold based on specification) was \$19,382 in 2018, an increase of \$1,901 from 2017. This increase was primarily from a stronger glycerin market absent the Argentinian imports that impeded U.S. demand in 2017.

Gross profit for the chemicals segment increased 21.3% or \$5,970 in 2018 compared with 2017. This increase resulted from improved profits from higher volumes in the agrochemical and energy markets and the change in adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting. The change in LIFO reduced gross profit in both 2018 and 2017, however, the reduction in 2017 was greater. Gross profit was partially reduced by the impact of lower sales volumes and sales prices of the laundry detergent additive.

**2017 Compared to 2016**

Chemical sales revenue increased 4.4% or \$4,479 in 2017 compared with 2016. Sales revenue for our custom chemicals product line (chemicals produced for specific customers) totaled \$87,905, an increase of \$5,238 from 2016. This increase was primarily attributed to increased sales prices and volumes in the agrochemical and energy markets, new customer product sales, and increased amortization of deferred revenue which were partially offset by reduced sales volumes and price of our laundry detergent additive. Our contract for sales of the laundry detergent additive expires December 31, 2020, however, there is no guarantee that this customer will order any laundry detergent additive after 2019. We continue to pursue other customers for this product. Performance chemicals revenue (comprised of multi-customer products which are sold based on specification) was \$17,481 in 2017, a decrease of \$759 from 2016. This decrease was primarily from reduced sales volumes of our polymer modifier products and specialty additives.

Gross profit for the chemicals segment decreased 12.6% or \$4,039 in 2017 compared with 2016. This decrease resulted from the impact of reduced sales volumes of the laundry detergent additive, and the change in adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting. Partially offsetting these declines were improved profits from higher volumes in the Agro chemical and energy markets.

*Biofuel Segment*

(Dollars in thousands)	2018 Compared to 2017:				2017 Compared to 2016:				
	2018	2017	Change \$	%	2017	2016	Change \$	%	
Sales	\$173,890	\$169,640	\$4,250	2.5	% \$169,640	\$152,286	\$17,354	11.4	%
Volume/product mix effect			434	0.3	%		(26,352)	(17.3%)	)
Price effect			3,816	2.2	%		43,706	28.7	%
Gross profit	\$39,412	\$(7,755 )	\$47,167	(608.2%)	\$(7,755 )	\$14,803	\$(22,558)	(152.4%)	

Table of Contents

**2018 Compared to 2017**

Biofuels sales revenue increased 2.5% or \$4,250 in 2018 compared to 2017 primarily from increased sales prices of biodiesel and biodiesel blends. The fuel industry experienced favorable prices in 2018 versus 2017, however, this favorable price increase was mostly offset by the effect of the retroactive reinstatement of the 2017 BTC which reduced revenue \$13,559, as recorded in the first three months ended March 31, 2018 (see Note 3 for further information). Additionally offsetting this price increase was reduced common carrier pipeline sales. Pipeline sales totaled \$491 in 2018 compared to \$2,175 in 2017.

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.

A portion of our biodiesel sold was to four major refiners in the United States in 2018 and one in 2017. No assurances can be given that we will continue to sell to such major refiners, 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 these customers 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 \$47,167 in 2018 compared to 2017. Cost of goods sold decreased largely as a result of the 2017 BTC which was retroactively reinstated on February 9, 2018. The BTC has not been reinstated beyond December 31, 2017. Please see Note 3 for additional discussion. Gross profit was also benefited by the change in adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting. The LIFO reserve for the biofuel segment increased in both 2018 and 2017, however, the increase in 2017 was greater resulting in an increase to gross profit for 2018. Additional benefit to gross profit was the change in the realized and unrealized activity of derivative instruments in comparison to the prior year with a gain of \$633 in 2018 and a loss of \$3,844 in 2017.

**2017 Compared to 2016**

Biofuels sales revenue increased 11.4% or \$17,354 in 2017 compared to 2016 primarily from increased sales prices of biodiesel, biodiesel blends, and RINs. The sale of separated, internally generated RINs, comprised a larger component of revenue in 2017 as compared to 2016. Partially offsetting this increase was reduced sales volumes of biodiesel and biodiesel blends and less common carrier pipeline sales. Pipeline sales totaled \$2,175 compared to \$9,018 in 2016. Sales volumes of biodiesel, biodiesel blends, and diesel were down given the unfavorable market (without the BTC as compared to 2016 which had the BTC in effect all year).

## Table of Contents

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.

Additionally, a portion of our biodiesel sold in 2017 and 2016 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 decreased \$22,558 in 2017 compared to 2016. Cost of goods sold increased as a result of the absence of the BTC which expired on December 31, 2016. The BTC for 2017 was retroactively reinstated on February 9, 2018. Please see Note 3 for additional discussion. Gross profit was also reduced by the change in adjustments in the carrying value of our inventory as determined utilizing the LIFO method of inventory accounting, a lower of cost or market adjustment on pipeline products, and to a lesser extent, reduced margins in common carrier pipelines. Partially offsetting these declines was the change in the activity of derivative instruments in comparison to the prior year with a loss of \$3,844 in 2017 as compared to a loss of \$6,220 in 2016.

### *Critical Accounting Policies and Practices*

#### *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, 2018 and 2017, 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 a chemical waste destructor, 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, 2018 and December 31, 2017, we recorded a reserve for closure/post-closure liabilities of \$904 and \$876, 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.

Table of Contents

*Revenue Recognition*

On January 1, 2018, we adopted Topic 606, *Revenue from Contracts with Customers* using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under Topic 605.

Certain long-term contracts had an upfront non-cancellable payment considered a material right. The Company applied the renewal option approach in allocating the transaction price to the material right. For each of these contracts, the Company estimated the expected contractual volumes to be sold at the most likely expected sales price as a basis for allocating the transaction price to the material right. Each estimate will be updated quarterly on a prospective basis. These custom chemical contracts have payment terms of 30 days. Please see Note 15 for additional discussion.

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 master service agreements. 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. All of our products are tested for quality before shipment, and historically returns have been inconsequential. We do not offer rebates, except those related to the BTC.

Biodiesel selling prices can at times fluctuate based on the timing of unsold, internally generated RINs. From time to time, sales of biodiesel are on a "RINs-free" basis. Such method of selling results in applicable RINs being held. The value of the RINs is not reflected in revenue until such time as the RIN sale has been completed.

Revenue from bill and hold transactions in which a performance obligation exists is recognized when the total performance obligation has been met and control of the product has transferred. Bill and hold transactions for 2018 and 2017 were related to custom chemicals customers whereby revenue was recognized in accordance with contractual agreements based upon product being produced and ready for use by the customer. These sales were subject to written monthly purchase orders with agreement that production was reasonable. The product 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 customers are similar to other custom chemicals customers. Sales revenue under bill and hold arrangements were \$44,924, \$17,517, and \$23,725 for the years ended December 31, 2018, 2017, and 2016, respectively.

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 recognized by us. We monitor changes in applicable tax laws and adjust our income tax assets and liabilities as necessary.



Table of Contents*Liquidity and Capital Resources*

Our net cash provided by (used in) operating activities, investing activities, and financing activities for the years ended December 31, 2018, 2017, and 2016 are set forth in the following table.

(Dollars in thousands)

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net cash provided by operating activities	\$85,613	\$39,347	\$90,975
Net cash provided by (used in) investing activities	\$25,406	\$(13,183 )	\$(35,207)
Net cash used in financing activities	\$(10,674)	\$(110,809)	\$(10,545)

*Operating Activities*

Cash provided by operating activities increased from \$39,347 in 2017 to \$85,613 in 2018, a net increase of \$46,266. This increase was attributed to: (i) the increase in net income in 2018 compared to 2017 of \$29,647 (ii) the increase in the change in the fair value of equity securities of \$13,238 and (iii) the decrease in the change in the benefit for deferred taxes of \$12,404. Primarily offsetting this cash from operations was a decrease in the change in income tax refunds receivable of \$13,492.

Cash provided by operating activities decreased from \$90,975 in 2016 to \$39,347 in 2017, a net decrease of \$51,628. This decrease in cash from operations was attributed to: (i) the decrease in net income of \$32,830, (ii) the decrease in the change in accounts receivable of \$18,979 and (iii) the decrease in the change in deferred revenue of \$7,949. Offsetting this was the decrease in the change in accounts payable of \$6,159 and the decrease in the change in income tax receivable of \$19,965.

*Investing Activities*

Cash provided by investing activities was \$25,406 in 2018 compared to cash used of \$13,183 in 2017, for a net increase in cash from investing activities of \$38,589. This decrease was primarily attributable to a \$36,276 increase in the net sales of marketable securities in 2018 compared to the net purchases of marketable securities in 2017. Such net

## Edgar Filing: FutureFuel Corp. - Form 10-K

sales totaled \$28,571 in 2018, as compared to total net purchases of \$7,705 in 2017. The net increase in cash from investing activities was also benefited by the change in the cash used in the collateralization of derivative instruments of \$3,581. The cash used in collateralization of derivative instruments was \$1,901 in 2017 as compared to cash provided by \$1,680 in 2018. Partially offsetting the increase in the cash flows from investing was the increase in the cash used in capital expenditures of \$1,286.

Cash used in investing activities decreased from \$35,207 in 2016 to \$13,183 in 2017. This decrease of \$22,024 was primarily attributable to a decrease in the net purchases of marketable securities in 2017 compared to 2016. Such purchases totaled a net of \$7,705 in 2017, as compared to total net purchases of \$30,177 in 2016. Offsetting this cash used was a reduction in the cash used in the collateralization of derivative instruments of \$1,366. This decrease in cash used in collateralization of derivative instruments was \$1,901 in 2017 as compared to \$535 in 2016.

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash paid for capital expenditures and intangibles	\$4,867	\$3,581	\$4,495
Cash received as reimbursement of capital expenditures	\$(2,659)	\$(175 )	\$(272 )
Cash paid, net of reimbursement, for capital expenditures	\$2,208	\$3,406	\$4,223

### *Financing Activities*

Cash used in financing activities decreased from \$110,809 in 2017 to \$10,674 in 2018, a net decrease of \$100,135. This decrease was primarily due to \$10,498 in of cash dividends in 2018 as compared to \$110,688 of cash dividends paid in 2017.

Cash used in financing activities increased from \$10,545 in 2016 to \$110,809 in 2017. This increase was primarily due to \$110,688 of cash dividends paid in 2017 as compared to \$10,493 of cash dividends paid in 2016.

### *Capital Expenditure Commitments*

We had no material capital projects that generated commitments as of December 31, 2018.

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.

Table of Contents*Credit Facility*

On April 16, 2015, FutureFuel, with FutureFuel Chemical as borrowers, and certain of FutureFuel's other subsidiaries, as guarantors, entered into a \$150,000 secured and committed credit facility with the lenders party thereto, Regions Bank as administrative agent and collateral agent, and PNC Bank, N.A., as syndication agent. On May 25, 2016, FutureFuel increased the credit facility by \$15,000. The credit facility consists of a five-year revolving credit facility in a dollar amount of up to \$165,000, 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, 2018 and 2017.

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.

<b>Consolidated Leverage Ratio</b>	<b>Adjusted LIBOR Rate Loans and Letter of Credit Fee</b>	<b>Base Rate Loans</b>	<b>Commitment Fee</b>
< 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.

### *Dividends*

In 2018, 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 \$10,498. On November 19, 2018, we declared normal quarterly dividends of \$0.06 per share on our common stock with record dates and payment dates as previously discussed. Dividends declared, but not paid, were accrued at December 31, 2018.

In 2017, 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 \$10,500. In the first quarter of 2017, we also paid a special cash dividend of \$2.29 per share on our common stock. This special cash dividend amounted to \$100,188. Total cash dividends paid in 2017 were \$110,688. On December 6, 2017, we declared normal quarterly dividends of \$0.06 per share on our common stock with record dates and payment dates as previously discussed. Dividends declared, but not paid, were accrued at December 31, 2017.

In 2016, 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. Dividends declared, but not paid, were accrued at December 31, 2016.

### *Capital Management*

As a result of positive operating results, we accumulated excess working capital, 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.



## Table of Contents

A significant portion of these funds were held in cash or cash equivalents at multiple financial institutions. In 2018, we also had investments in certain preferred stock and other equity instruments measured at fair value and changes in fair value recognized in net income. We also hold certain exchange traded debt, and trust preferred securities. 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 \$79,888 as of December 31, 2018.

In 2017, prior to the adoption of ASU 2016-01, *Financial Instruments- Overall* (Subtopic 825-10), on January 1, 2018, we held investments in certain preferred stock, other equity instruments, trust preferred securities, and exchange traded debt with all being classified as “available-for-sale”. Accordingly, these securities were recorded at fair value, with the unrealized gains and losses, net of taxes, reported as a component of stockholders’ equity, including accrued dividends and interest, totaled \$120,699 at December 31, 2017. In 2018, we adopted ASU 2016-01 utilizing the modified retrospective method which states that equity investments are to be measured at fair value with changes in fair value recognized in net income. The unrealized losses on equity securities were \$13,236 for 2018.

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, 2018 and 2017. 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, 2018 or 2017, 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, 2018, the payments due by period for the following contractual obligations.

(Dollars in thousands)

		<b>Less than 1</b>	<b>1-3</b>	<b>4-5</b>	<b>More than 5</b>
<b>Contractual Obligations</b>	<b>Total</b>	<b>Year</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
Long-term debt obligations (a)	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Operating lease obligations	\$2,363	\$644	\$1,354	\$365	-
Purchase obligations (b)	\$6,700	\$6,700	-	-	-
Unrecognized tax benefits	\$2,804	\$2,804	-	-	-
Other long-term liabilities reflected on our balance sheet under GAAP (c)	-	-	-	-	-
<b>Total</b>	<b>\$11,867</b>	<b>\$10,148</b>	<b>\$1,354</b>	<b>\$365</b>	<b>-</b>

(a) As of December 31, 2018, we had no borrowings under the \$165 million credit agreement described above.

(b) Purchase obligations within less than one year include (i) the purchase of biodiesel feedstock to be taken during 2018 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 \$904 at December 31, 2018. 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.



Table of Contents

**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 Topic 815, *Derivatives and Hedging*. 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 2018 or 2017. Changes in the fair value of our derivative instruments are recognized at the end of each accounting period and recorded in the consolidated 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, 2018 and 2017, the fair values of our derivative instruments were in a liability position in the amount of \$297 and \$2,428, 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 2018. 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 Requirements(a)	Units	Hypothetical Adverse	Decrease in Gross	Percentage Decrease	
			Change in Price	Profit	in Gross Profit	
Biodiesel feedstocks	406,086	LB	10%	\$ 10,599	14.4	%
Methanol	179,020	LB	10%	\$ 3,455	4.7	%

(a) Volume requirements and average price information are based upon volumes used and prices obtained for the twelve months ended December 31, 2018. Volume requirements may differ materially from these quantities in future years as our business evolves.

We had no borrowings as of December 31, 2018 or 2017 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.

Table of Contents

**Item 8. Financial Statements and Supplementary Data.**

**Financial Statements.**

The following sets forth our consolidated balance sheets as at December 31, 2018 and 2017 and our consolidated statements of operations, statements of comprehensive income, statements of cash flows, and statements of changes in stockholders' equity for each of the three years in the period ended December 31, 2018, together with RubinBrown LLP's report thereon.

**Report Of Independent Registered Public Accounting Firm**

To the shareholders and the Board of Directors of FutureFuel Corp.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of FutureFuel Corp. and subsidiaries (collectively, the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, 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 15, 2019, expressed an unqualified opinion thereon.

**Adoption of New Accounting Pronouncements**

As discussed in Note 15 to the consolidated financial statements, the Company changed its method of accounting for revenue in 2018 due to the adoption of ASC Topic 606, *Revenue from Contracts with Customers*. As discussed in Note 27 to the consolidated financial statements, the Company changed how changes in the fair value of equity security investments are recognized in 2018 due to the adoption of ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*.

### **Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.

Denver, Colorado

March 15, 2019

Table of Contents**FutureFuel Corp.****Consolidated Balance Sheets****As of December 31, 2018 and 2017****(Dollars in thousands)**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$214,972	\$114,627
Accounts receivable, net of allowances for bad debt of \$0 and \$0, at December 31, 2018 and December 31, 2017, respectively	16,294	21,973
Accounts receivable – related parties	1,844	165
Inventory	39,296	43,754
Income tax receivable	6,858	6,937
Prepaid expenses	1,767	1,660
Prepaid expenses – related parties	12	12
Marketable securities	79,888	120,699
Deferred financing costs	144	144
Other current assets	1,255	387
Total current assets	362,330	310,358
Property, plant and equipment, net	103,575	109,735
Intangible assets	1,408	1,408
Deferred financing costs	36	180
Other assets	3,806	3,882
Total noncurrent assets	108,825	115,205
<b>Total Assets</b>	<b>\$471,155</b>	<b>\$425,563</b>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$19,981	\$18,396
Accounts payable – related parties	1,689	1,183
Deferred revenue – current	4,581	2,736
Dividends payable	10,498	10,498
Accrued expenses and other current liabilities	2,742	2,468
Total current liabilities	39,491	35,281
Deferred revenue – noncurrent	20,319	16,522
Other noncurrent liabilities	4,241	1,115
Noncurrent deferred income tax liability	18,026	21,049
Total noncurrent liabilities	42,586	38,686
Total liabilities	82,077	73,967
Commitments and contingencies:		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.0001 par value, 75,000,000 shares authorized, 43,743,243 and 43,741,670, issued and outstanding as of December 31, 2018 and 2017, respectively	4	4
Accumulated other comprehensive income	(20 )	8,433

Additional paid in capital	282,145	281,964
Retained earnings	106,949	61,195
Total stockholders' equity	389,078	351,596
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$471,155</b>	<b>\$425,563</b>

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

Table of Contents**FutureFuel Corp.****Consolidated Statements of Operations and Comprehensive Income****For the Years Ended December 31, 2018, 2017, and 2016****(Dollars in thousands, except per share amounts)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenue	\$286,949	\$273,144	\$244,822
Revenues – related parties	4,069	1,882	8,371
Cost of goods sold	191,758	224,249	191,662
Cost of goods sold – related parties	19,596	26,606	10,319
Distribution	6,075	3,750	3,976
Distribution – related parties	191	160	378
<b>Gross profit</b>	<b>73,398</b>	<b>20,261</b>	<b>46,858</b>
Selling, general, and administrative expenses			
Compensation expense	3,809	4,153	4,921
Other expense	2,037	2,066	2,176
Related party expense	589	496	523
Research and development expenses	3,524	3,659	2,715
	9,959	10,374	10,335
<b>Income from operations</b>	<b>63,439</b>	<b>9,887</b>	<b>36,523</b>
Interest and dividend income	9,183	7,809	6,152
Interest expense	(173 )	(172 )	(173 )
Loss on marketable securities	(12,011 )	(687 )	(1,340 )
Other expense	(261 )	(188 )	(356 )
	(3,262 )	6,762	4,283
Income before income taxes	60,177	16,649	40,806
Provision/(benefit) for income taxes	7,019	(6,862 )	(15,535 )
<b>Net income</b>	<b>\$53,158</b>	<b>\$23,511</b>	<b>\$56,341</b>
<b>Earnings per common share</b>			
Basic	\$1.22	\$0.54	\$1.29
Diluted	\$1.22	\$0.54	\$1.29
<b>Weighted average shares outstanding</b>			
Basic	43,725,333	43,676,171	43,542,785
Diluted	43,731,192	43,685,579	43,547,538

**Comprehensive Income**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net income	\$53,158	\$23,511	\$56,341
Other comprehensive income/(loss) from unrealized net gains/(losses) on available-for-sale securities	(229 )	7,535	2,643
Income tax effect	49	(2,642 )	(1,158 )

Edgar Filing: FutureFuel Corp. - Form 10-K

Total unrealized gains/(losses), net of tax	(180 )	4,893	1,485
<b>Comprehensive income</b>	<b>\$52,978</b>	<b>\$28,404</b>	<b>\$57,826</b>

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



Table of Contents**Consolidated Statements of Cash Flows****For the Years Ended December 31, 2018, 2017, and 2016****(Dollars in thousands)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Cash flows provided by operating activities</b>			
Net income	\$53,158	\$23,511	\$56,341
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10,969	11,617	10,819
Amortization of deferred financing costs	144	145	144
Benefit for deferred income taxes	(1,253 )	(13,657 )	(5,271 )
Change in fair value of equity securities	13,238	-	-
Change in fair value of derivative instruments	(2,130 )	2,170	3,621
Other than temporary impairment of marketable securities	-	814	2,184
Impairment of fixed assets	258	28	178
Gain on the sale of investments	(1,227 )	(127 )	(843 )
Stock based compensation	357	998	1,908
Losses on disposals of fixed assets	41	195	147
Noncash interest expense	28	27	27
Changes in operating assets and liabilities:			
Accounts receivable	5,679	2,386	21,960
Accounts receivable – related parties	(1,679 )	220	(375 )
Inventory	4,458	8,339	12,864
Income tax receivable	79	13,571	(6,394 )
Prepaid expenses	(107 )	34	(52 )
Prepaid expenses – related party	-	-	23
Accrued interest on marketable securities	(25 )	16	(110 )
Other assets	(317 )	(9 )	(556 )
Accounts payable	1,243	(4,403 )	(11,643 )
Accounts payable – related parties	506	(71 )	1,010
Accrued expenses and other current liabilities	274	60	(645 )
Accrued expenses and other current liabilities – related parties	-	(142 )	142
Deferred revenue	(1,258 )	(4,215 )	3,734
Other noncurrent liabilities	3,177	(2,160 )	1,762
<b>Net cash provided by operating activities</b>	<b>85,613</b>	<b>39,347</b>	<b>90,975</b>
<b>Cash flows from investing activities</b>			
Collateralization of derivative instruments	1,680	(1,901 )	(535 )
Purchase of marketable securities	(19,664 )	(30,959 )	(60,664 )
Proceeds from the sale of marketable securities	48,235	23,254	30,487
Proceeds from the sale of fixed assets	22	4	-
Capital expenditures	(4,867 )	(3,581 )	(4,495 )
<b>Net cash provided by (used in) investing activities</b>	<b>25,406</b>	<b>(13,183 )</b>	<b>(35,207 )</b>

**Cash flows from financing activities**

Minimum tax withholding on stock options exercised and awards vested	(176 )	(121 )	(128 )
Excess tax benefits associated with stock options and awards	-	-	(137 )
Proceeds from issuance of stock	-	-	213
Payment of dividends	(10,498 )	(110,688 )	(10,493 )
<b>Net cash used in financing activities</b>	<b>(10,674 )</b>	<b>(110,809 )</b>	<b>(10,545 )</b>
Net change in cash and cash equivalents	100,345	(84,645 )	45,223
Cash and cash equivalents at beginning of period	114,627	199,272	154,049
<b>Cash and cash equivalents at end of period</b>	<b>\$214,972</b>	<b>\$114,627</b>	<b>\$199,272</b>

Cash paid for interest	-	-	-
Cash paid for income taxes	\$9,182	\$55	\$987
Noncash items incurred:			
Noncash dividends declared	\$10,498	\$10,498	\$10,688
Noncash capital expenditures	\$420	\$-	\$471

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

Table of Contents**Consolidated Statements of Changes in Stockholders' Equity****For the Years Ended December 31, 2018, 2017, and 2016****(Dollars in thousands)**

	<b>Common Stock</b>	<b>Amount</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Additional paid-in Capital</b>	<b>Retained Earnings</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>					
Balance - January 1, 2016	43,715,832	\$ 4	\$ 2,055	\$ 279,231	\$ 113,022	\$ 394,312
Dividends	-	-	-	-	(121,181)	(121,181 )
Proceeds from the issuance of stock	34,138	-	-	213	-	213
Stock based compensation	-	-	-	1,908	-	1908
Excess income tax benefits from exercise of stock options	-	-	-	(137 )	-	(137 )
Minimum tax withholdings on options and awards	-	-	-	(128 )	-	(128 )
Other comprehensive gain	-	-	1,485	-	-	1,485
Net income	-	-	-	-	56,341	56,341
Balance - December 31, 2016	43,749,970	\$ 4	\$ 3,540	\$ 281,087	\$ 48,182	\$ 332,813
Dividends	-	-	-	-	(10,498 )	(10,498 )
Stock based compensation	(8,300 )	-	-	998	-	998
Minimum tax withholdings on options and awards	-	-	-	(121 )	-	(121 )
Other comprehensive gain	-	-	4,893	-	-	4,893
Net income	-	-	-	-	23,511	23,511
Balance - December 31, 2017 - As previously reported	43,741,670	\$ 4	\$ 8,433	\$ 281,964	\$ 61,195	\$ 351,596
Prior period adjustment: Change in accounting principles	-	-	(8,273 )	-	3,094	(5,179 )
Balance - January 1, 2018 - As adjusted	43,741,670	\$ 4	\$ 160	\$ 281,964	\$ 64,289	\$ 346,417
Dividends	-	-	-	-	(10,498 )	(10,498 )
Stock based compensation	1,573	-	-	357	-	357
Minimum tax withholdings on options and awards	-	-	-	(176 )	-	(176 )
Other comprehensive loss	-	-	(180 )	-	-	(180 )
Net income	-	-	-	-	53,158	53,158
Balance - December 31, 2018	43,743,243	\$ 4	\$ (20 )	\$ 282,145	\$ 106,949	\$ 389,078

The accompanying Notes are an integral part of these financial statements



Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

1) Nature of operations and basis of presentation

*Viceroy Acquisition Corporation*

Viceroy Acquisition Corporation (“Viceroy”) was incorporated under the laws of the state of Delaware on August 12, 2005 to serve as a vehicle for the acquisition of one or more operating businesses in the oil and gas industry. On July 12, 2006, Viceroy completed an equity offering (see Note 16).

On October 31, 2006, Viceroy acquired all of the issued and outstanding shares of Eastman SE, Inc. (“Eastman SE”) from Eastman Chemical Company (“Eastman Chemical”). Immediately subsequent to the acquisition, Viceroy changed its name to FutureFuel Corp. (“FutureFuel”) and Eastman SE changed its name to FutureFuel Chemical Company (“FutureFuel Chemical”).

*Eastman SE, Inc.*

Eastman SE was incorporated under the laws of the state of Delaware on September 1, 2005 and subsequent thereto operated as a wholly-owned subsidiary of Eastman Chemical through October 31, 2006. Eastman SE was incorporated for purposes of effecting a sale of Eastman Chemical’s manufacturing facility in Batesville, Arkansas (the “Batesville Plant”).

The Batesville Plant was constructed to produce proprietary photographic chemicals for Eastman Kodak Company (“Eastman Kodak”). Over the years, Eastman Kodak shifted the plant’s focus away from the photographic imaging business to the custom synthesis of fine chemicals and organic chemical intermediates used in a variety of end markets, including paints and coatings, plastics and polymers, pharmaceuticals, food supplements, household detergents, and agricultural products.

In 2005, the Batesville Plant began the implementation of a bio-based products platform. This included the production of biofuels (biodiesel) and bio-based specialty chemical products (bio-based solvents, chemicals, and intermediates). In addition to bio-based products, the Batesville Plant continues to manufacture specialty and other organic chemicals.

## 2) Significant accounting policies

### *Consolidation*

The accompanying consolidated financial statements include the accounts of FutureFuel and its wholly-owned subsidiaries: FutureFuel Chemical Company FFC Grain, L.L.C., which was formed in 2009 to acquire a granary in Marianna, Arkansas FutureFuel Warehouse Company, L.L.C., which was formed in 2011 to acquire a warehouse in Batesville, Arkansas and Legacy Regional Transport, L.L.C., which was formed in 2012 and operates FutureFuel's truck fleet (collectively, the "Company").

All significant intercompany transactions have been eliminated.

### *Cash and cash equivalents*

Cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market. FutureFuel places its temporary cash investments with high credit quality financial institutions. At times, bank deposits may be in excess of the Federal Deposit Insurance Corporation insurance limit.

### *Accounts receivable, allowance for doubtful accounts, and credit risk*

Accounts receivable are recorded at the invoiced amount and do not bear interest. FutureFuel has established procedures to monitor credit risk and has not experienced significant credit losses in prior years. Accounts receivable have been reduced by an allowance for 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 its customers and historical bad debt experience. Write-offs are recorded at the time a customer receivable is deemed uncollectible.

Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

*Customer concentrations*

For the twelve months ended December 31, 2018, 2017, and 2016, significant portions of FutureFuel's sales are made to a relatively small number of customers. Sales to two biodiesel customers totaled \$57,198 in 2018, and sales to one customer in 2017 and 2016 totaled \$38,917, and \$35,568, respectively.

For the twelve months ended December 31, 2018, one of our customers, DowDupont Inc. and its affiliates, represented approximately 27% of our chemicals revenue (11% of total revenues). Multiple products were sold to various affiliates of this customer under both long-term and short-term contracts. FutureFuel believes the loss of this customer would have a material impact on our financials temporarily while the company sought to source other custom chemical contracts for this equipment. In the twelve months ended December 31, 2017, this customer represented 30% of our chemical revenue (11% of total revenues). For the twelve months ended December 31, 2016, none of our chemical customers represented 10% or more of total revenues.

*Inventory*

FutureFuel determines the cost of substantially all raw materials and finished goods inventories by the last-in, first-out ("LIFO") method. FutureFuel writes down its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the carrying value of inventory and the estimated market value based upon current demand and market conditions.

*Financial and derivative instruments*

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses and other current liabilities approximate their fair values due to the short-term maturities of these instruments.

FutureFuel records all derivative instruments at fair value. Fair value is determined by using the closing prices of the derivative instruments on the New York Mercantile Exchange at the end of an accounting period. 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.

In order to manage commodity price risk caused by market fluctuations in biofuel prices, future purchases of feedstock used in our biodiesel production, physical feedstock, finished product inventories attributed to the process, and other petroleum products purchased or sold, 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*. 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 2018 or 2017.

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 the physical commodity sold. As of December 31, 2018 and 2017, the fair value of our derivative instruments were (\$297) and (\$2,428), respectively. They were comprised of a short position of 100 regulated options with a fair value of (\$484) and a short position of 96 regulated fixed price futures contracts with a fair value of \$187 at December 31, 2018. Comparatively, we held a short position of 200 regulated options with a fair value of (\$2,428) at December 31, 2017.



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)***Property, plant, and equipment*

Property, plant, and equipment is carried at cost. Maintenance and repairs are charged to earnings. Replacements and betterments are capitalized. When FutureFuel retires or otherwise disposes of an asset, it removes the cost of such asset and related accumulated depreciation from the accounts. FutureFuel records any profit and loss on retirement or other disposition in earnings. Depreciation is provided using the straight-line method over the following estimated useful lives:

Building & building equipment (years)	20	39
Machinery and equipment (years)	3	33
Transportation equipment (years)	5	33
Other (years)	5	33

*Impairment of assets**Long-lived tangible assets*

FutureFuel evaluates the carrying value of long-lived tangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Such events and circumstances include, but are not limited to, significant decreases in the market value of the asset, adverse changes in the extent or manner in which the asset is being used, significant changes in business climate, or current or projected cash flow losses associated with the use of the assets. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such assets are separately identifiable and are less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. For long-lived assets to be held for use in future operations and for fixed (tangible) assets, fair value is determined primarily using either the projected cash flows discounted at a rate commensurate with the risk involved or an appraisal. For long-lived assets to be disposed of by sale or other than sale, fair value is determined in a similar manner, except that fair values are reduced for disposal costs.

*Indefinite-lived intangible asset*

Intangible assets with indefinite lives are not amortized, but are reviewed for impairment at least annually or whenever events or circumstances indicate the carrying value of the asset may not be recoverable. The Company performs annual impairment tests of the intangible assets during the fourth quarter of each fiscal year and assesses qualitative factors to determine the likelihood of impairment. The Company's qualitative analysis includes, but is not limited to, assessing the changes in macroeconomic conditions, legal and regulatory environment, industry and market conditions, financial performance, and any other relevant events or circumstances specific to the intangible asset. If it is more likely than not that the fair value of the intangible asset is greater than the carrying value, no further testing is required. Otherwise, the Company will apply the quantitative impairment test method. In performing the Company's qualitative analysis, the Company determined that it was more likely than not that the indefinite-lived intangible asset's fair value was greater than the carrying value.

*Deferred revenue and revenue recognition*

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, on a modified retrospective basis on January 1, 2018. The policy below reflects the Company's policy after adoption. See Note 15 for discussion of differences from prior standard.

FutureFuel recognizes revenue when performance obligations of the sale are satisfied in accordance with ASC 606. FutureFuel sells to customers through master sales agreements or standalone purchase orders. The majority of FutureFuel's terms of sale have a single performance obligation to transfer products. Accordingly, FutureFuel recognizes revenue when control is transferred to the customer, generally at the time of shipment or delivery of products.

A select number of FutureFuel custom chemical contracts within the chemical segment contain a material right as defined by Topic 606 as a result of upfront payments provided by customers. Each contract also has a performance obligation to transfer products with 30-day payment terms. FutureFuel recognizes revenue when the customer takes control of the inventory, either upon shipment or when the material is made available for pickup. As a basis for allocating the transaction price to the material right and transfer of product, FutureFuel estimates the expected life of the product, the expected contractual volumes to be sold over that life, and the most likely expected sales price. Each estimate is updated quarterly on a prospective basis. See Note 15 for further discussion including disaggregation.

Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

The majority of our revenue is from short term contracts with revenue recognized when a single performance obligation to transfer product under the terms of a contract with a customer are satisfied. Accordingly, FutureFuel recognizes revenue when control is transferred to the customer, which is when products are considered to meet customer specification and title and risk of loss are transferred. This typically occurs at the time of shipment or delivery, however, for certain contracts, this occurs upon delivery of the material to a FutureFuel storage location, ready for customer pickup and separated from other FutureFuel inventory. Revenue is measured as the amount of consideration FutureFuel expects to receive in exchange for transferring products and is generally based upon a negotiated price. FutureFuel sells its products directly to customers generally under agreements with payment terms of 30 to 75 days for chemical segment customers and 3 to 10 days for biofuel segment customers.

Bill and hold transactions for 2018, 2017, and 2016 related to three specialty chemical customers in 2018 and 2016, and two in 2017 whereby revenue was recognized in accordance with contractual agreements based on product 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 revenue under bill and hold arrangements totaled \$44,924, \$17,517, and \$23,725 for the years ended December 31, 2018, 2017, and 2016, respectively. See Note 15 for further details.

Additionally, FutureFuel has been awarded grants from governmental agencies related to the construction of production equipment and infrastructural improvements at its plant site. The cost of construction of these projects has been either funded by the governmental agencies directly or funded by FutureFuel who has then been reimbursed by the governmental agencies. Direct payments and reimbursements for construction costs have been recognized as deferred revenue and will be amortized into earnings over the expected life of the applicable customer relationship or the life of the asset if no direct customer relationship is tied to the asset. Such amortization began when the asset was placed into service and all contingencies associated with the grants were fulfilled.

*Asset retirement obligations*

FutureFuel establishes reserves for closure/post-closure costs associated with the environmental and other assets it maintains. Environmental assets include but are not limited to waste management units such as a chemical waste destructor, storage tanks, and boilers. When these types of assets are constructed or installed, a liability 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 FutureFuel's environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. Currently, FutureFuel estimates the useful life of each individual asset up to 35 years. Changes made in estimates of the asset retirement obligation costs or the estimate of the useful lives of these assets are reflected in earnings as an increase or decrease in the period such changes are made.

Environmental costs are capitalized if they extend the life of the related property, increase its capacity, and/or mitigate or prevent future contamination. The cost of operating and maintaining environmental control facilities is charged to expense.

#### *Income taxes*

Income taxes are accounted for 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. A valuation allowance is established, if necessary, to reduce any future income tax asset to an amount that is more likely than not to be realized.

Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

FASB ASC Topic 740, *Income Taxes* (“ASC 740”), addresses the accounting for uncertainty in income taxes recognized in the financial statements. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

*Taxes collected from customers and remitted to governmental authorities*

Taxes collected from customers and remitted to governmental authorities are excluded from revenues and cost of goods sold.

*Shipping and handling fees*

Shipping and handling fees related to sales transactions are billed to customers and recorded as sales revenues.

*Cost of goods sold and selling, general, and administration expenses*

Cost of goods sold includes the costs of inventory sold, related purchasing, distribution, and warehousing costs, costs incurred for shipping and handling, and environmental remediation costs. In 2016, the biodiesel tax incentive for blending biodiesel with petroleum diesel was netted with cost of goods sold. The one dollar per gallon blenders’ tax credit (“BTC”) amounted to one cent for each percentage point of vegetable oil or animal fat biodiesel that was blended with petrodiesel. The credit was recognized as it was earned as a reduction to cost of goods sold, i.e., when biodiesel blended with petrodiesel was sold or when such credit was made law. This tax credit expired on December 31, 2016, but in February 2018, this credit was retroactively reinstated for 2017 and has not been extended past 2017. In the first three months ended March 31, 2018, the biodiesel tax incentive was netted with cost of goods sold. See Note 3 for further discussion.

Selling, general, and administration expenses include personnel costs associated with sales, marketing and administration, legal and legal-related costs, consulting and professional services fees, advertising expenses, and other similar costs.

*Research and development*

All costs identified as research and development costs are charged to expense when incurred.

*Planned major maintenance activities*

Expenditures for planned major maintenance activities are recognized as expense as incurred.

*Earnings per share*

Earnings per share is computed using the two-class method in accordance with ASC 260, *Earnings Per Share*. The two-class method is an allocation of earnings between the holders of common stock and a company's participating security holders. FutureFuel's outstanding unvested shares of restricted stock contain non-forfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. FutureFuel had no other participating securities at December 31, 2018, 2017, or 2016.

Contingently issuable shares associated with outstanding service-based restricted stock units were not included in the earnings per share calculations for the years ended December 31, 2017, and 2016. There were no outstanding service-based restricted stock units for the year ended December 31, 2018.

Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

*Comprehensive income*

Comprehensive income is comprised of net income and other comprehensive income/(loss) (“OCI”). Comprehensive income comprises all changes in stockholders’ equity from transactions and other events and circumstances from non-owner sources. FutureFuel’s OCI is comprised of unrealized gains and losses resulting from its investment in certain marketable securities classified as available for sale (see Note 6). For the year ended December 31, 2018, FutureFuel recorded other comprehensive losses of \$180, net of income tax benefit of \$49, on these securities. For the year ended December 31, 2017, FutureFuel recorded other comprehensive income of \$4,893, net of income taxes of \$2,642. For the year ended December 31, 2016, FutureFuel recorded other comprehensive income of \$1,485, net of income taxes of \$1,158. For the year ended December 31, 2017 and 2016, FutureFuel reclassified a portion of its unrealized income related to certain of its available-for-sale securities from OCI to a component of net income as a result of recording an other than temporary impairment. This reclassification totaled \$529 and \$1,419, net of income tax benefit of \$285 and \$765, for the years ended December 31, 2017, and 2016, respectively.

Realized gains and losses are recognized on the specific identification method.

*Commitments and contingent liabilities*

In the ordinary course of its business, FutureFuel enters into supply and sales contracts as deemed commercially desirable. Supply contracts are utilized to ensure the availability of raw materials used in the production process. Sales contracts are utilized to ensure the future sale of produced product.

FutureFuel and its operations from time to time may be parties to or targets of lawsuits, claims, investigations, and proceedings including product liability, personal injury, patent and intellectual property, commercial, contract, environmental, health and safety, and environmental matters, which are handled and defended in the ordinary course of business. FutureFuel accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, FutureFuel accrues the minimum amount.

*Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during a reporting period. Estimates are used when accounting for allowance for doubtful accounts, depreciation, amortization, asset retirement obligations, contract liabilities, revenue recognition, material rights, and income taxes as well as the evaluation of potential losses due to impairments or future liabilities. Actual results could differ materially from those estimates.

*Segment reporting*

FutureFuel identifies operating segments when separate financial information is available that is evaluated regularly by its chief operating decision maker in assessing the performance of those segments and in determining how to allocate resources. FutureFuel has determined that it has two reportable segments organized along product lines -- chemicals and biofuels.

3) Reinstatement of the biodiesel blenders' tax credit and small agri-biodiesel producer tax credit

The BTC provides a \$1.00 per gallon tax credit to the blender of biomass-based diesel with at least 0.1% petroleum-based diesel fuel. When in effect, FutureFuel is the blender of record and recognizes the credit as a reduction to cost of goods sold. Following is a summary of the legal status of the BTC for each fiscal year, as applicable.

The Bipartisan Budget Act of 2018 was passed by Congress and signed into law on February 9, 2018, retroactively reinstating the BTC for 2017. As this act was passed into law in 2018, FutureFuel recognized its impact in FutureFuel's 2018 financial results. FutureFuel recorded a net estimated pretax benefit from the reinstatement of \$28,865. This tax credit has not been reinstated beyond December 31, 2017.



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The BTC was in full effect for 2016 and expired December 31 of that year.

As part of each law from which the BTC mentioned above was reinstated, small agri-biodiesel producers with production capacity not in excess of 60 million gallons were eligible for an additional tax credit of \$0.10 per gallon on the first 15 million gallons of agri-biodiesel sold (the “Small Agri-biodiesel Producer Tax Credit”). The benefit of the Small Agri-biodiesel Producer Tax Credit was recorded in the same accounting period as the benefit from the BTC as described above.

## 4) Inventory

The carrying values of inventory were as follows as of December 31:

	<b>2018</b>	<b>2017</b>
At average cost (approximates current cost)		
Finished goods	\$23,658	\$22,998
Work in process	2,100	1,735
Raw materials and supplies	23,909	27,143
	49,667	51,876
LIFO reserve	(10,371)	(8,122)
Total inventory	\$39,296	\$43,754

A lower of cost or market adjustment was recorded for the year ended December 31, 2018 and 2017 of \$0 and \$276, respectively. The 2017 adjustment was caused in part by the change in the LIFO reserve. This lower of cost or market adjustment was recorded as a decrease in inventory values and an increase in cost of goods sold.

## 5) Derivative instruments

FutureFuel is exposed to certain risks relating to its ongoing business operations. Commodity price risk is the primary risk managed by using derivative instruments. Regulated fixed price futures and option contracts are utilized to manage the price risk associated with future purchases of feedstock used in FutureFuel's biodiesel production along with physical feedstock and finished product inventories attributed to this process.

FutureFuel recognizes all derivative instruments as either assets or liabilities at fair value in its consolidated balance sheet. FutureFuel's derivative instruments do not qualify for hedge accounting under the specific guidelines of Topic 815, *Derivatives and Hedging*. While management believes each of these instruments are entered into in order to effectively manage various risks, none of the derivative instruments are designated and accounted for as hedges primarily as a result of the extensive record keeping requirements. The fair value of FutureFuel's derivative instruments is determined based on the closing prices of the derivative instruments on relevant commodity exchanges at the end of an accounting period. Realized and unrealized gains and losses on derivative instruments and changes in fair value of the derivative instruments are recorded in the consolidated statement of operations as a component of cost of goods sold, and amounted to a gain of \$633, and losses of \$3,844 and \$6,220, for the years ended December 31, 2018, 2017, and 2016, respectively.

The volumes and carrying values of FutureFuel's derivative instruments were as follows at December 31:

	<b>Asset/ (Liability)</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Quantity/ Fair contracts</b>	<b>Value</b>	<b>Quantity/ Fair contracts</b>	<b>Value</b>
	<b>Short</b>	<b>Value</b>	<b>Short</b>	<b>Value</b>
Regulated options, included in other current assets	100	\$(484)	200	\$(2,428)
Regulated fixed price future commitments, included in other current assets	96	\$187	-	\$-

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The margin account maintained with a broker to collateralize these derivative instruments carried an account balance of \$980 and \$2,660 at December 31, 2018 and 2017, respectively, and is classified as other current assets in the consolidated balance sheet. The carrying values of the margin account and of the derivative instruments are included, net, in other current assets.

## 6) Marketable securities

At December 31, 2018 and 2017, FutureFuel had investments in certain debt securities (trust preferred securities and exchange traded debt instruments) and in preferred stock and other equity instruments. These investments are classified as current assets in the consolidated balance sheets. FutureFuel has designated the debt securities as being available-for-sale. Accordingly, debt securities were recorded at fair value, with the unrealized gains and losses, net of taxes, reported as a component of stockholders' equity. For the year ended, December 31, 2018, in accordance with ASC 321, the change in the fair value of equity securities (preferred and other equity instruments) was reported as (losses)/gains on marketable securities as a component of net income. See Note 27 for more information.

FutureFuel's available for sale debt securities were comprised of the following at December 31, 2018 and 2017:

	<b>December 31, 2018</b>			
	<b>Adjusted</b>	<b>Unrealized</b>	<b>Unrealized</b>	<b>Fair</b>
	<b>Cost</b>	<b>Gains</b>	<b>Losses</b>	<b>Value</b>
Trust preferred securities	\$3,147	\$ 21	\$ (18 )	\$3,150
Exchange traded debt instruments	1,428	37	(65 )	1,400
<b>Total</b>	<b>\$4,575</b>	<b>\$ 58</b>	<b>\$ (83 )</b>	<b>\$4,550</b>

	<b>December 31, 2017</b>			
	<b>Adjusted</b>	<b>Unrealized</b>	<b>Unrealized</b>	<b>Fair</b>
	<b>Cost</b>	<b>Gains</b>	<b>Losses</b>	<b>Value</b>
Trust preferred securities	\$3,147	\$ 114	\$ -	\$3,261
Exchange traded debt instruments	1,702	158	-	1,860
<b>Total</b>	<b>\$4,849</b>	<b>\$ 272</b>	<b>\$ -</b>	<b>\$5,121</b>



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The aggregate fair value of debt securities with unrealized losses totaled \$2,540 and \$0 at December 31, 2018 and 2017, respectively. As of December 31, 2018, FutureFuel had debt securities with a total value of \$187 that were in an unrealized loss position for greater than a 12-month period. The unrealized loss position for these two securities was \$19. This loss position represented a minimal reduction for these securities and they are expected to fully recover given changes in market value.

In 2018, 2017, and 2016, FutureFuel recategorized a net gain of \$0, \$248, and \$728 from accumulated other comprehensive income to a component of net income as a result of sales of available for sale securities, respectively.

The adjusted cost basis and fair value of debt securities at December 31, 2018, by contractual maturity, are shown below.

	<b>December 31, 2018</b>	
	<b>Adjusted Cost</b>	<b>Fair Value</b>
Due in one year or less	\$-	\$-
Due after one year through five years	-	-
Due after five years through ten years	-	-
Due after ten years	4,575	4,550
<b>Total</b>	<b>\$4,575</b>	<b>\$4,550</b>

## 7)Property, plant, and equipment

Property, plant, and equipment consisted of the following at December 31:

<b>2018</b>	<b>2017</b>
-------------	-------------

Edgar Filing: FutureFuel Corp. - Form 10-K

Land and land improvements	\$5,929	\$5,862
Buildings and building equipment	27,021	26,656
Machinery and equipment	169,341	167,179
Construction in progress	2,643	808
Accumulated depreciation	(101,359)	(90,770 )
Total	\$103,575	\$109,735

Depreciation expense totaled \$10,949, \$11,617, and \$10,819 for the years ended December 31, 2018, 2017, and 2016, respectively.

8) Intangible assets

In April 2015, FutureFuel acquired additional historical line space on a pipeline for \$1,408. The acquired line space was recorded as an intangible asset with an indefinite life as there was no foreseeable limit on the time period over which it is expected to contribute to cash flows. The carrying value of the asset was \$1,408 and \$1,408, respectively, as of December 30, 2018 and 2017. The Company tested the intangible asset for impairment in accordance with codification Topic 350 and no impairment was necessary for either period.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

## 9) Other assets

Other assets are primarily comprised of supplies and parts that have been held longer than 24 months and are not expected to be used in the twelve-month period subsequent to the consolidated balance sheet date. The balance related to these items totaled \$3,806 and \$3,882 at December 31, 2018 and 2017, respectively.

## 10) Accrued expenses and other current liabilities

Accrued expenses and other current liabilities, including those associated with related parties, consisted of the following at December 31:

	<b>2018</b>	<b>2017</b>
Accrued employee liabilities	\$1,253	\$976
Accrued property, franchise, motor fuel and other taxes	1,225	1,387
Other	264	105
Total	\$2,742	\$2,468

## 11) Borrowings

On April 16, 2015, FutureFuel, with FutureFuel Chemical as borrowers, and certain of FutureFuel's other subsidiaries, as guarantors, entered into a \$150,000 secured and committed credit facility with the lenders party thereto, Regions Bank as administrative agent and collateral agent, and PNC Bank, N.A., as syndication agent. On May 25, 2016, FutureFuel increased the credit facility by \$15,000. The credit facility consists of a five-year revolving credit facility in a dollar amount of up to \$165,000, which includes a sublimit of \$30,000 for letters of credit and \$15,000 for swingline loans (collectively, the "Credit Facility").

The interest rate floats at the following margins over LIBOR or base rate based upon the leverage ratio from time to time:

<b>Consolidated Leverage Ratio</b>	<b>Adjusted LIBOR Rate Loans and Letter of Credit Fee</b>	<b>Base Rate Loans</b>	<b>Commitment Fee</b>
< 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%

The terms of the Credit Facility contain certain covenants and conditions including a maximum consolidated leverage ratio, a minimum consolidated fixed charge coverage ratio, and a minimum liquidity requirement. FutureFuel was in compliance with such covenants as of December 31, 2018.

There were no borrowings under this credit agreement at December 31, 2018 and 2017.

#### 12) Asset retirement obligations and environmental reserves

The Batesville Plant generates hazardous and non-hazardous wastes, the treatment, storage, transportation, and disposal of which are regulated by various governmental agencies. In addition, the Batesville Plant may be required to incur costs for environmental and closure and post-closure costs under the Resource Conservation and Recovery Act. FutureFuel's liability for asset retirement obligations and environmental contingencies was \$904 and \$876 as of December 31, 2018 and 2017, respectively. These amounts are recorded in other noncurrent liabilities in the accompanying consolidated balance sheet.



Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

The following table summarizes the activity of accrued obligations for asset retirement obligations:

	<b>2018</b>	<b>2017</b>
Balance at January 1	\$876	\$849
Accretion expense	28	27
Balance at December 31	\$904	\$876

13) Stock based compensation

The board of directors of FutureFuel adopted an omnibus incentive plan which was approved by the shareholders of FutureFuel at its 2017 annual shareholder meeting on September 7, 2017 (the “Incentive Plan”). The purpose of the plan is to:

Encourage ownership in FutureFuel by key personnel whose long-term employment with or engagement by FutureFuel or its subsidiaries is considered essential to its continued progress and, thereby, encourage recipients to act in FutureFuel’s shareholders’ interests and share in its success

Encourage such persons to remain in FutureFuel’s employ or in the employ of its subsidiaries and

Provide incentives to persons who are not FutureFuel employees to promote FutureFuel’s success.

The Incentive Plan authorizes FutureFuel to issue stock options (including incentive stock options and nonqualified stock options), stock awards, and stock appreciation rights. Eligible participants in the plan include: (i) members of FutureFuel’s board of directors and its executive officers (ii) regular, active employees of FutureFuel and any of its subsidiaries and (iii) persons engaged by FutureFuel or any of its subsidiaries to render services to FutureFuel or its subsidiaries as an advisor or consultant.

Awards under the Incentive Plan are limited to shares of FutureFuel's common stock, which may be shares acquired by FutureFuel, including shares purchased in the open market, or authorized but un-issued shares. Awards are limited to 10% of the issued and outstanding shares of FutureFuel's common stock in the aggregate.

The Incentive Plan became effective upon its approval by FutureFuel's shareholders on September 7, 2017 and continues in effect for a term of ten years thereafter unless amended and extended by FutureFuel or unless otherwise terminated.

FutureFuel recognizes compensation expense in its financial statements for stock based options based upon the grant-date fair value over the requisite service period.

Prior to the approval of the Incentive Plan, a separate omnibus incentive plan (the "Prior Plan") was adopted by shareholders at FutureFuel's 2007 annual shareholder meeting on June 26, 2007. The shares to be issued under the Prior Plan were registered with the SEC on a Form S-8 filed on April 29, 2008. The Prior Plan expired on June 26, 2017. Under the Prior Plan, FutureFuel was authorized to issue 2,670,000 shares of common stock. Through the expiration of the Prior Plan, FutureFuel issued options to purchase 1,060,500 shares of common stock and awarded an additional 414,800 shares to participants under the Prior Plan. No further awards will be granted under the Prior Plan

No stock awards were issued in 2016, 2017 or 2018.

In October 2018, under the Incentive Plan, FutureFuel granted a total of 10,000 stock options to a new member of the Board of Directors. The options awarded in 2018 have an exercise price equal to the mean between the highest and lowest quoted sales prices for FutureFuel's common stock as of the grant date as reported by the New York Stock Exchange. All options awarded in 2018 vested immediately upon grant and expire in October 2023. FutureFuel has utilized the Black Scholes Merton option pricing model, which relies on certain assumptions, to estimate the fair value of the options it granted. The weighted average fair value of options granted in 2018 was \$3.64 per option.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

No stock options were granted in 2016 or 2017.

In 2016, FutureFuel realized gross proceeds from stock option exercises of \$213 and realized a net tax expense of \$23. A portion of the options exercised in 2016 were exercised on a cashless basis and resulted in 85,862 shares of FutureFuel's common stock being returned to FutureFuel by the stock option holder. All of the stock awards that vested were issued on a cash basis. Minimum tax withholdings related to these exercises were \$128.

In 2017, a portion of stock awards that vested were issued on a cashless basis and resulted in 8,300 shares of FutureFuel's common stock being returned to FutureFuel by the stock award holder. Minimum tax requirements related to these exercises were \$121.

All of the options exercised in 2018 were exercised on a cashless basis and resulted in 30,896 shares of FutureFuel's common stock being returned to FutureFuel by the stock option holder. All of the stock awards that vested were issued on a cashless basis and resulted in 7,531 shares of FutureFuel's common stock being returned to FutureFuel by the stock award holder. Such shares were returned to satisfy payment of the exercise price along with minimum tax withholdings. Such minimum tax withholdings totaled \$111 for stock awards and \$65 for stock options exercised on a cashless basis.

The following summarizes unvested stock option activity under the Prior Plan:

	<b>Stock Options</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Life Remaining</b>
Unvested as of January 1, 2016	60,000	2.78	1.92
Granted	-	-	-
Vested	(30,000 )	2.78	-
Forfeited	-	-	-

Edgar Filing: FutureFuel Corp. - Form 10-K

Unvested as of December 31, 2016	30,000	2.78	0.92
Granted	-	-	-
Vested	(30,000 )	2.78	-
Forfeited	-	-	-
Unvested as of December 31, 2017	-	-	-
Granted	-	-	-
Vested	-	-	-
Forfeited	-	-	-
Unvested as of December 31, 2018	-	-	-

The assumptions used in the determination of the fair value of the options granted are provided in the following table:

<b>Assumptions</b>	<b>December 2018 Options</b>
Expected volatility rate	33.87%
Expected dividend yield	1.48%
Risk-free interest rate	2.86%
Expected forfeiture rate	0.00%
Expected term in years	2.7

The volatility rate for the options granted in 2018 were derived from the historical stock price volatility of FutureFuel's common stock over the same time period as the expected term of each stock option award. The volatility rate is derived by a mathematical formula utilizing the daily closing stock price data over the expected term.

The expected dividend yield is calculated using FutureFuel's expected dividend amount at the date of the option grant over the expected term divided by the fair market value of FutureFuel's common stock.

For the years ended December 31, 2018, 2017, and 2016, total share-based compensation expense (before tax) totaled \$357, \$998, and \$1,908, respectively. In the years ended December 31, 2018, 2017, and 2016, this balance was recorded as an element of selling, general, and administrative expenses. As of December 31, 2018 and 2017, there was no unrecognized compensation expense related to stock options.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

A summary of the activity of FutureFuel's stock options and awards for the period beginning January 1, 2016 and ending December 31, 2018 is presented below.

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2016 *	250,000	\$ 12.05
Granted	-	-
Exercised	(120,000)	\$ 11.45
Canceled, forfeited, or expired	(60,000 )	\$ 12.74
Outstanding at December 31, 2016	70,000	\$ 12.48
Granted	-	-
Exercised	-	\$ -
Canceled, forfeited, or expired	-	\$ -
Outstanding at December 31, 2017	70,000	\$ 12.48
Granted	10,000	\$ 16.21
Exercised	(40,000 )	\$ 11.34
Canceled, forfeited, or expired	-	\$ -
Outstanding at December 31, 2018	40,000	\$ 14.55

(\* ) Granted pursuant to the "Prior Plan".

There were 4,364,167 options available for grant under the Incentive Plan and no further awards available under the Prior Plan at December 31, 2018. The following table provides the remaining contractual term and weighted average exercise prices of stock options outstanding and exercisable from the Incentive Plan and Prior Plan at December 31, 2018.

<b>Options Outstanding</b>		<b>Options Exercisable</b>	
<b>Number</b>	<b>Weighted Average Remaining</b>	<b>Number</b>	<b>Weighted Average</b>
<b>Weighted Average</b>	<b>Weighted Average</b>	<b>Number</b>	<b>Weighted Average</b>

Exercise Price	Outstanding at December 31, 2018		Exercise Price	Exercisable at December 31, 2018	
	Contractual Life			Exercise Price	Exercise Price
\$ 13.99	30,000	1.97	\$ 13.99	30,000	\$ 13.99
\$ 16.21	10,000	4.82	\$ 16.21	10,000	\$ 16.21
	40,000	2.68	\$ 14.55	40,000	\$ 14.55

The weighted average remaining contractual life of all exercisable options is 2.68 years.

The aggregate intrinsic values of total options outstanding at December 31, 2018 and 2017 were \$56 and \$113, respectively. The aggregate intrinsic values of total options exercisable at December 31, 2018 and 2017 were \$56 and \$113, respectively. Intrinsic value is the amount by which the last trade price of the common stock closest to December 31, 2018 and 2017, respectively, exceeded the exercise price of the options granted.

In 2017, no stock options were exercised.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The following summarizes unvested restricted stock activity under the Prior Plan:

	<b>Number of Restricted Stock</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Life Remaining</b>
Unvested as of January 1, 2016	241,667	\$ 16.88	1.86
Granted	-	-	-
Vested	108,333	\$ 16.85	-
Forfeited	-	-	-
Unvested as of December 31, 2016	133,334	\$ 16.90	1.15
Granted	-	-	-
Vested	108,334	\$ 16.85	-
Forfeited	-	-	-
Unvested as of December 31, 2017	25,000	\$ 17.09	0.67
Granted	-	-	-
Vested	25,000	\$ 17.09	-
Forfeited	-	-	-
Unvested as of December 31, 2018	-	\$ -	-

In 2016, the excess tax benefit was recorded as a decrease to additional paid in capital and was reflected as a financing cash outflow in 2016 in the accompanying consolidated statement of cash flows. In 2017, management adopted ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718)*. With this adoption, the excess tax benefit attributable to restricted stock has been recorded as a decrease in the benefit for income taxes in 2018 and 2017. The company realized a tax benefit of \$12, \$31, and \$160 in the years ended December 31, 2018, 2017 and 2016, respectively, related to the vesting of restricted shares.

## 14) Provision/(benefit) for income taxes

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Income before taxes - U.S.	\$60,177	\$16,649	\$40,806
Provision for income taxes:			
Federal			
Current	7,105	6,185	(9,463 )
Deferred	(1,389 )	(12,632 )	(4,988 )
State and other			
Current	1,167	610	(801 )
Deferred	69	(1,025 )	(283 )
Total	\$7,019	\$(6,862 )	\$(15,535)

\* Historical balances have been adjusted to follow the historical cash flow presentation of the change in deferred balances.



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

Differences between the provision/(benefit) for income taxes computed using the U.S. federal statutory income tax rate were as follows:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Amount computed using the statutory rate of 21% for 2018 and 35% for 2017 and 2016	\$12,637	\$5,827	\$14,282
Section 199 manufacturing deduction	-	(85 )	-
Agri-biodiesel production credit	(975 )	-	(975 )
Federal excise tax benefit	(7,751 )	-	(20,048 )
State excise tax benefit	(1,963 )	-	(6,845 )
Credit for increasing research activities	(117 )	(127 )	(56 )
Dividends received deduction	(355 )	(865 )	(730 )
State income taxes, net	2,549	463	(1,262 )
Tax expense recorded as an increase in unrecognized tax benefit	3,176	191	193
Tax Cuts and Jobs Act of 2017 Impact	-	(12,066)	-
Other	(182 )	(200 )	(94 )
Provision/(benefit) for income taxes	\$7,019	\$(6,862 )	\$(15,535)

The provision for taxes in 2018 was 11.7% or \$7,019 as compared to a benefit of 41.2% or \$6,862 in 2017.

FutureFuel's effective tax rate for the year 2018 reflects FutureFuel's uncertain tax position on prior year income of \$2,728, net (\$2,804, gross) plus interest of \$448 in the fourth quarter of 2018. Partially reducing provision for income taxes was the benefit of the reinstatement of certain tax credits and incentives for 2018, the most significant of which was the BTC and Small Agri-biodiesel Producer Tax Credit. The BTC and Small Agri-biodiesel Producer Tax Credit was retroactively extended for 2017 (but, not beyond December 31, 2017) on February 9, 2018. This tax benefit was recorded in FutureFuel's first quarter 2018 results. Please see Note 3 for a discussion of the impact of the BTC for the years ended December 31, 2016, 2017, and 2018.

FutureFuel's effective tax rate for the year 2017, reflects a one-time benefit from The Tax Cuts and Jobs Act of 2017 ("The Act"). The Act provided for a federal tax rate from 35% to 21% effective January 1, 2018. FutureFuel recognized a one-time \$12,066 income tax benefit from anticipated lower tax rates on future reversals of deferred tax liabilities. FutureFuel's unrecognized tax benefits totaled \$2,804 and \$0 at December 31, 2018 and 2017, respectively.

FutureFuel's effective tax rate for the year December 31, 2016 reflects the positive effect of the reinstatement of certain tax credits and incentives for 2016, the most significant of which were the BTC and Small Agri-biodiesel Producer Tax Credit. The BTC and Small Agri-biodiesel Producer Tax Credit present in 2016 were not extended during 2017.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The significant components of deferred tax assets and liabilities were as follows as of December 31:

	<b>2018</b>	<b>2017</b>
Deferred tax assets		
Compensation	\$30	\$-
Inventory reserves	458	502
Self insurance	63	63
Asset retirement obligation	209	201
Deferred revenue	5,015	4,809
State net operating loss carryforwards	1	609
Accrued expenses	1,653	1,674
Stock based compensation	108	143
Derivative instruments	-	252
Other	130	-
Total deferred tax assets	7,667	8,253
Deferred tax liabilities		
Available for sale securities	-	(2,285 )
Derivative instruments	(86 )	-
LIFO inventory	(3,389 )	(3,342 )
Depreciation	(22,010)	(23,293)
Other	(208 )	(382 )
Total deferred tax liabilities	(25,693)	(29,302)
Net deferred tax liabilities	\$(18,026)	\$(21,049)

	<b>2018</b>	<b>2017</b>
As recorded in the consolidated balance sheet		
Noncurrent deferred tax liability	(18,026)	(21,049)

Prior to 2013, FutureFuel had historically included revenue from the biodiesel BTC in taxable income on its federal and state income tax returns. In 2013, as a result of then recently issued technical guidance from the Internal Revenue Service, FutureFuel changed its position related to the benefit from the biodiesel BTC to exclude this credit from taxable income for 2010 and all future years. Please see Note 3 for a discussion of the impact of the BTC for the years ended December 31, 2016, 2017, and 2018.



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The following table summarizes FutureFuel's unrecognized tax benefits activity.

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Balance at January 1	\$-	\$2,056	\$4,588
Increases to tax positions taken in the current year	-	-	2,056
Increases to tax positions taken in prior years	2,804	-	-
Decrease due to resolution of tax positions taken in a prior year	-	(2,056)	(4,588)
Balance at December 31	\$2,804	\$-	\$2,056

FutureFuel does not expect its unrecognized tax benefits to change significantly over the next 12 months.

FutureFuel records interest and penalties net as a component of income tax expense. FutureFuel accrued balances of \$681 and \$0 at December 31, 2018 and 2017, respectively, for interest or tax penalties.

FutureFuel and its subsidiaries file tax returns in the U.S. federal jurisdiction and with various state jurisdictions. In general, FutureFuel is subject to U.S., state, and local examinations by tax authorities from 2014 forward. In the fourth quarter of 2017, the IRS notified FutureFuel it has been selected for an audit of its 2015 federal return. The audit process commenced in January 2018. The IRS has subsequently expanded its audit to include the 2014 and 2016 federal returns.

#### 15) Deferred revenue and contingent liability

On January 1, 2018, FutureFuel adopted ASU 2014-09, *Revenue from Contracts with Customers*, and related subsequently issued ASUs ("Topic 606"). Under this standard, FutureFuel recognizes revenue when performance obligations of the sale are satisfied. FutureFuel sells to customers through master sales agreements or standalone purchase orders. The majority of FutureFuel's terms of sale have a single performance obligation to transfer products. Accordingly, FutureFuel recognizes revenue when control has been transferred to the customer, generally at the time of shipment or delivery of products. Under the previous revenue recognition accounting standard ("Topic 605"), FutureFuel recognized revenue upon the transfer of title and risk of loss, generally upon shipment or delivery of

goods, although some revenue was recognized on a bill and hold basis.

A select number of FutureFuel custom chemical contracts within the chemical segment contain a material right as defined by Topic 606 as a result of upfront payments provided by customers. Each contract also has a performance obligation to transfer products with 30-day payment terms. FutureFuel recognizes revenue when the customer takes control of the inventory, either upon shipment or when the material is made available for pickup. FutureFuel has applied the renewal option approach in allocating the transaction price to these material rights and transfer of product. As a basis for allocating the transaction price to the material right and transfer of product, FutureFuel estimated the expected life of the product, the expected contractual volumes to be sold over that life, and the most likely expected sales price. Each estimate is updated quarterly on a prospective basis. In applying the cumulative effect of Topic 606 as of January 1, 2018, for all contracts that were not completed on that date, FutureFuel recorded a gross reduction to opening retained earnings of \$6,900 and a net of tax reduction of \$5,179. Additionally, the adoption of Topic 606 resulted in one contract recognizing revenue on a bill and hold basis, whereas under Topic 605 it was recognized at point of shipment. The adoption of Topic 606 also increased short term deferred revenue \$3,251 and long term deferred revenue \$3,293 and reduced inventory \$356 as of January 1, 2018.

The majority of our revenue is from short term contracts with revenue recognized when a single performance obligation to transfer product under the terms of a contract with a customer are satisfied. Accordingly, FutureFuel recognizes revenue when control is transferred to the customer, which is when products are considered to meet customer specification and title and risk of loss are transferred. This typically occurs at the time of shipment or delivery, however, for certain contracts, this occurs upon delivery of the material to a FutureFuel storage location, ready for customer pickup and separated from other FutureFuel inventory. Revenue is measured as the amount of consideration FutureFuel expects to receive in exchange for transferring products and is generally based upon a negotiated price. FutureFuel sells its products directly to customers generally under agreements with payment terms of 30 to 75 days for chemical segment customers and 3 to 10 days for biofuel segment customers. For these short-term contracts, there was no material change in recognizing revenue under Topic 606 and Topic 605.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)****Contract Assets and Liabilities:**

Contract assets consist of unbilled amounts typically resulting from revenue recognized through bill and hold arrangements. The contract assets are recorded as accounts receivable on the consolidated balance sheet. Contract liabilities consist of advance payments related to material rights. These amounts were historically recorded as deferred revenue which primarily related to upfront capital payments. The contract liabilities are recorded as deferred revenue in the consolidated balance sheets and are reduced as FutureFuel transfers product to the customer under the renewal option approach.

These contract assets and liabilities are reported on the consolidated balance sheets on a contract-by-contract basis at the end of each reporting period.

The following table reflects the changes in FutureFuel's contract assets and contract liabilities for the year ended December 31, 2018. There were no contract assets recognized under Topic 605:

	<b>2018</b>
Beginning balance at January 1	\$ 505
Additions	3,215
Reductions	(2,922)
Ending balance at December 31	\$ 798

	<b>As Reported Topic 606</b>	<b>Under Prior Standard Topic 605</b>	<b>Change</b>
<b>Contract liabilities</b>			
Beginning balance at January 1, 2018\	\$ 21,013	\$ 14,469	\$ 6,544
Additions	5,823	1,385	4,438
Revenue recognized for the twelve months ended December 31, 2018	(6,504 )	(2,637 )	(3,867 )

Ending balance at December 31, 2018	\$ 20,332	\$ 13,217	\$ 7,115
-------------------------------------	-----------	-----------	----------

**Transaction price allocated to the remaining performance obligations**

As of December 31, 2018, approximately \$20,322 of revenue is expected to be recognized from remaining performance obligations. FutureFuel expects to recognize this revenue ratably over expected sales over the expected term of its long-term contracts which range from one to five years. Approximately 22% of this revenue is expected to be recognized over the next 12 months, and 78% is expected to be recognized between one and 5 years. These amounts are subject to change based upon changes in the estimated contract life and estimated quantities to be sold over the contract life.

We applied the practical expedient in ASC 606-10-50-14 and have excluded the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less; and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)****Disaggregation of revenue - contractual and non-contractual**

	<b>Twelve months ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Contract revenue from customers with > 1 year arrangements	\$60,721	\$54,900
Contract revenue from customer with < 1 year arrangement	243,634	219,954
Revenue from non-contractual arrangements	222	172
BTC rebate	(13,559 )	-
Total revenue	\$291,018	\$275,026

**Timing of revenue**

	<b>Twelve months ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Bill and hold revenue	\$44,924	\$17,517
Non-bill and hold revenue	246,094	257,509
Total revenue	\$291,018	\$275,026

(a) Prior periods have not been adjusted under the modified retrospective method for Topic 606.

For both long term and short-term contracts, FutureFuel has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. As such, shipping and handling fees billed to customers in a sales transaction are recorded in net sales and shipping and handling costs incurred are recorded in cost of goods sold and distribution. FutureFuel has elected to exclude from net sales any taxes which it collects concurrent with revenue-producing activities. These accounting policy elections are consistent with the manner in which FutureFuel historically recorded shipping and handling fees and taxes.

The following table summarizes the impacts of Topic 606 adoption on the Company's consolidated statement of operations and comprehensive income for the year ended December 31, 2018.

**Twelve months ended December  
31, 2018  
Balances  
Prior  
to  
Adoption  
of Topic  
606**

	<b>Adjustments</b>	<b>As Reported or Restated</b>
Revenue	\$ 4,665	\$ 286,949
Cost of goods sold	185	191,758
Gross profit	4,480	73,398
Income from operations	4,480	63,439
Income before income taxes	4,480	60,177
Provision/(benefit) for income taxes	1,119	7,019
Net income	3,360	53,158
Basic earnings per share	0.08	1.22
Diluted earnings per share	0.08	1.22
Comprehensive income	\$ 3,360	\$ 52,978

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The following table summarizes the impacts of Topic 606 adoption on the Company's consolidated balance sheet which has been adjusted for the adoption of Topic 606 as of December 31, 2018.

	<b>Balances Prior to Adoption of Topic 606</b>	<b>Adjustments</b>	<b>As Reported or Restated</b>
Accounts receivable	\$14,296	\$ 1,998	\$ 16,294
Inventory	39,837	(541 )	39,296
Income tax receivable	8,034	(1,176 )	6,858
Total current assets	362,049	281	362,330
Total assets	470,874	281	471,155
Accounts payable	23,219	(3,238 )	19,981
Deferred revenue – current	2,883	1,698	4,581
Total current liabilities	41,031	(1,540 )	39,491
Deferred revenue – noncurrent	14,902	5,417	20,319
Noncurrent deferred income tax liability	19,805	(1,779 )	18,026
Total noncurrent liabilities	38,948	3,638	42,586
Total liabilities	79,979	2,098	82,077
Retained earnings	108,767	(1,818 )	106,949
Total stockholders' equity	390,896	(1,818 )	389,078
Total liabilities and stockholders' equity	\$470,874	\$ 281	\$ 471,155

The following table summarizes the impacts of our adoption of Topic 606 on the Company's consolidated statement of cash flows for the year ended December 31, 2018:

	<b>Balances Prior to Adoption</b>	<b>Adjustments</b>	<b>As Reported</b>
--	---	--------------------	------------------------

Edgar Filing: FutureFuel Corp. - Form 10-K

	<b>of Topic 606</b>		<b>or Restated</b>
Net income	\$ 49,798	\$ 3,360	\$ 53,158
Benefit for deferred income taxes	526	(1,779 )	(1,253 )
Changes in operating assets and liabilities:			
Accounts receivables	7,677	(1,998 )	5,679
Inventory	3,917	541	4,458
Income tax receivable	(1,097 )	1,176	79
Accounts payable	4,481	(3,238 )	1,243
Deferred revenue	(3,195 )	1,937	(1,258 )
Net cash provided by operating activities	\$ 85,613	\$ (0	) \$ 85,613

Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

16) Stockholders' equity

On July 12, 2006, Viceroy and its founding shareholders entered into a registration rights agreement pursuant to which the holders of the majority of founding shares and shares of common stock included in the units purchased in Viceroy's July 2006 offering by a director or his designees are entitled to make up to two demands that Viceroy register with the SEC their founding shares and the shares included in the units purchased in Viceroy's July 2006 offering. The holders of the majority of such shares can elect to exercise these registration rights at any time after the date on which Viceroy has become a reporting company under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and such shares have been released from any applicable escrow agreement and lock-in deeds. In addition, those shareholders have certain "piggyback" registration rights on registration statements filed subsequent to the date on which such shares are released from escrow or other lock up arrangements. Viceroy agreed to bear the expenses incurred in connection with the filing of any such registration statements. There are 16,250,000 shares of Viceroy's common stock subject to this registration rights agreement.

On February 10, 2011, FutureFuel filed with the SEC a Form S-3 Registration Statement commonly referred to as a "shelf registration" whereby FutureFuel registered shares of its common stock, preferred stock, warrants, rights, and units which it might issue in the future in an aggregate amount not to exceed \$50,000. This registration statement became effective on March 10, 2011. Pursuant to this registration statement, on May 11, 2011, FutureFuel commenced an "At-the-Market" offering under which FutureFuel could from time to time over the succeeding three years sell up to 3,000,000 shares of its common stock. During 2011, FutureFuel issued 1,313,985 shares of its common stock pursuant to this "At-the-Market" offering for a net aggregate purchase price of \$15,763, and paid its underwriters \$488 as compensation with respect to such issuances. During 2012, FutureFuel issued 91,143 shares of its common stock pursuant to this offering for a net aggregate purchase price of \$1,074, and paid its underwriters \$33 as compensation with respect to such issuances. During 2013, FutureFuel issued 1,594,872 shares of its common stock pursuant to this offering for a net aggregate purchase price of \$19,292, and paid its underwriters \$599 as compensation with respect to such issuances.

On February 6, 2013, FutureFuel announced the completion of the sale of shares of its common stock under the At-the-Market offering. An aggregate 3,000,000 shares were sold in open market trading for aggregate gross proceeds of approximately \$37,247, resulting in net proceeds of approximately \$36,127 after deducting commissions and fees.

17) Earnings per share

FutureFuel computes earnings per share using the two-class method in accordance with ASC 260, *Earnings Per Share*. The two-class method is an allocation of earnings between the holders of common stock and a company's participating security holders. FutureFuel's outstanding unvested shares of restricted stock contain non-forfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. FutureFuel had no other participating securities at December 31, 2018, 2017, or 2016.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

Contingently issuable shares associated with outstanding service-based restricted stock units were not included in the earnings per share calculations for the years ended December 31, 2017, and 2016. There were no outstanding service-based restricted stock units for the year ended December 31, 2018.

	<b>For the twelve months ended December 31:</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b><u>Numerator:</u></b>			
Net income	\$53,158	\$23,511	\$56,341
Less: distributed earnings allocated to non-vested stock	-	(6	) (377
Less: undistributed earnings allocated to non-vested restricted stock	(16	) (21	) 264
<b>Numerator for basic earnings per share</b>	<b>\$53,142</b>	<b>\$23,484</b>	<b>\$56,228</b>
<b>Effect of dilutive securities:</b>			
Add: undistributed earnings allocated to non-vested restricted stock	16	21	(264
Less: undistributed earnings reallocated to non-vested restricted stock	(16	) (21	) 264
<b>Numerator for diluted earnings per share</b>	<b>\$53,142</b>	<b>\$23,484</b>	<b>\$56,228</b>
<b><u>Denominator:</u></b>			
Weighted average shares outstanding – basic	43,725,333	43,676,171	43,542,785
<b>Effect of dilutive securities:</b>			
Stock options and other awards	5,859	9,408	4,753
Weighted average shares outstanding – diluted	43,731,192	43,685,579	43,547,538
<b>Basic earnings per share</b>	<b>\$ 1.22</b>	<b>\$0.54</b>	<b>\$ 1.29</b>
<b>Diluted earnings per share</b>	<b>\$ 1.22</b>	<b>\$0.54</b>	<b>\$ 1.29</b>

Certain options to purchase FutureFuel's common stock were not included in the computation of diluted earnings per share for the years ended December 31, 2018, 2017 and 2016 because they were anti-dilutive in the period. The weighted number of options excluded on this basis was 15,000, 7,500 and 65,000, respectively.

18) Employee benefit plans

*Defined contribution savings plan*

FutureFuel currently offers its employees a company 401(k) matching savings plan, which covers substantially all employees. Under this plan, FutureFuel matches the amount of eligible employees' contributions, subject to specified limits, up to 6% of earnings. Company contributions totaled \$1,801, \$1,632, and \$1,540 for the years ended December 31, 2018, 2017, and 2016, respectively.

19) Related party transactions

FutureFuel enters into transactions with companies affiliated with or controlled by a director and significant stockholder. Revenues, expenses, prepaid amounts, and unpaid amounts related to these transactions are captured on our accompanying consolidated financial statements as related party line items. These related party transactions are summarized in the following table and further described below.



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)***Related party balance sheet accounts*

	<b>2018</b>	<b>2017</b>
Accounts receivable		
Biodiesel, petrodiesel, blends and other petroleum products	\$1,844	\$165
Total accounts receivable	\$1,844	\$165
Prepaid expenses		
Administrative services and other	\$12	\$12
Total prepaid expenses	\$12	\$12
Accounts payable		
Natural gas and fuel purchases	\$1,354	\$1,033
Travel and administrative services	\$335	\$150
Total accounts payable	\$1,689	\$1,183

*Related party income statement accounts*

	<b>For the years ended</b>		
	<b>December 31:</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenues			
Biodiesel, petrodiesel, blends and other petroleum products	\$4,069	\$1,882	\$8,371
Total revenues	\$4,069	\$1,882	\$8,371
Cost of goods sold			
Biodiesel, petrodiesel, blends, and other petroleum products	\$13,985	\$21,655	\$6,016
Natural gas purchases	5,510	4,871	4,223
Income tax, consulting services and other	101	80	80
Total cost of goods sold	\$19,596	\$26,606	\$10,319
Distribution			
Distribution and related services	\$191	\$160	\$378
Total distribution	\$191	\$160	\$378
Selling, general and administrative expenses			
Commodity trading advisory fees	\$307	\$307	\$307
Travel and administrative services	282	189	216

Total selling, general, and administrative expenses	\$589	\$496	\$523
---	-------	-------	-------

*Biodiesel, petrodiesel and blends*

FutureFuel enters into agreements to buy and sell biofuels (biodiesel, petrodiesel, biodiesel/petrodiesel blends, RINs, and biodiesel production byproducts) and other petroleum products such as gasoline with an affiliate from time to time. Such agreements are priced at the then current market price of the product, as determined from bids from other customers and/or market pricing services. Cost of goods sold related to these sales includes variable costs and allocated fixed costs. The revenue amounts presented in the table above result when FutureFuel sells biodiesel, petrodiesel, blends, and other petroleum products to a related party regardless of who the material was purchased from. Likewise, cost of goods sold amounts result when biodiesel, petrodiesel, blends, and other petroleum products are purchased from a related party regardless of who the material was sold to.

*Natural gas purchases*

FutureFuel utilizes natural gas to generate steam for its manufacturing process and to support certain of its air and waste treatment utilities. This natural gas is purchased through an affiliate provider of natural gas marketing services. Expenses related to these purchases include the cost of the natural gas only transportation charges are paid to an independent third party.

Table of Contents

**Notes to Consolidated Financial Statements of FutureFuel Corp.**

**(Dollars in thousands, except per share amounts)**

*Income tax and consulting services*

An affiliate provides professional services to FutureFuel, primarily in the area of income tax preparation and consulting. FutureFuel also receives certain finance and accounting expertise from this affiliate as requested. Expenses related to these services are comprised of an agreed quarterly fee plus reimbursement of expense, at cost.

*Distribution and related services*

Distribution and related services are comprised of barge transportation and related unloading charges for petrodiesel that were arranged and paid by an affiliate and subsequently rebilled to FutureFuel. Additionally, FutureFuel leases oil storage capacity from an affiliate under a storage and throughput agreement. This agreement provides for the storage of biodiesel, diesel or biodiesel/petrodiesel blends, methanol, and biodiesel feedstocks in above-ground storage tankage at designated facilities of the affiliate. Expenses related to this agreement include monthly lease charges, generally on a per barrel basis, and associated heating, throughput, and other customary terminalling charges.

*Commodity trading advisory fees*

FutureFuel entered into a commodity trading advisory agreement with an affiliate. Pursuant to the terms of this agreement, the affiliate provides advice to FutureFuel concerning the purchase, sale, exchange, conversion, and/or hedging of commodities as FutureFuel may request from time to time.

*Legal, travel and administrative services*

FutureFuel reimburses an affiliate for legal, trading, travel and other administrative services incurred on its behalf. Such reimbursement is performed at cost with the affiliate realizing no profit on the transaction.

20) Segment information

FutureFuel has two reportable segments organized along similar product lines – chemicals and biofuels. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2.

*Chemicals*

FutureFuel’s chemicals segment manufactures diversified chemical products that are sold to third party customers. This segment is comprised of two product groups: “custom manufacturing” (manufacturing chemicals for specific customers) and “performance chemicals” (multi-customer specialty chemicals).

*Biofuels*

FutureFuel’s biofuels business segment manufactures and markets biodiesel. Biodiesel revenues are generated through the sale of biodiesel to customers through FutureFuel’s distribution network at the Batesville Plant, through distribution facilities available at leased oil storage facilities, and through a network of remotely located tanks. Results of the biofuels business segment also reflect the sale of biodiesel blends with petrodiesel, petrodiesel with no biodiesel added, RINs, biodiesel production byproducts, and the purchase and sale of other petroleum products on common carrier pipelines.

*Summary of long-lived assets and revenues by geographic area*

All of FutureFuel’s long-lived assets are located in the U.S.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

Most of FutureFuel's sales are transacted with title passing at the time of shipment from the Batesville Plant, although some sales are transacted based on title passing at the delivery point. While many of FutureFuel's 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 ownership has transferred from FutureFuel to the customer. Rarely is FutureFuel the exporter of record, never is FutureFuel the importer of record into foreign countries, and FutureFuel is not always aware of the exact quantities of its products that are moved into foreign markets by its customers. FutureFuel does track the addresses of its customers for invoicing purposes and uses this address to determine whether a particular sale is within or without the United States. FutureFuel's revenues for the years ended December 31, 2018, 2017, and 2016 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows.

	<b>Twelve months ended</b>		
	<b>December 31:</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
United States	\$289,019	\$271,635	\$250,320
All Foreign Countries	1,999	3,391	2,873
Total	\$291,018	\$275,026	\$253,193

For the years ended December 31, 2018, 2017, and 2016, no revenues from a single foreign country were greater than 1% of our total revenues.

*Summary of business by segment*

	<b>Twelve months ended</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenue			
Custom chemicals	\$97,746	\$87,905	\$82,667
Performance chemicals	19,382	17,481	18,240
Chemicals revenue	117,128	105,386	100,907
Biofuels revenue	173,890	169,640	152,286
Total Revenue	\$291,018	\$275,026	\$253,193

Segment gross profit			
Chemicals	\$33,986	\$28,016	\$32,055
Biofuels	39,412	(7,755 )	14,803
Total gross profit	73,398	20,261	46,858
Corporate expenses	9,959	10,374	10,335
Income before interest and taxes	63,439	9,887	36,523
Interest and other income	9,183	7,809	6,152
Interest and other expense	(12,445 )	(1,047 )	(1,869 )
(Provision)/benefit for income taxes	(7,019 )	6,862	15,535
Net income	\$53,158	\$23,511	\$56,341

Depreciation is allocated to segment costs of goods sold based on plant usage. The total assets and capital expenditures of FutureFuel have not been allocated to individual segments as large portions of these assets are shared to varying degrees by each segment, causing such an allocation to be of little value.

Gross margins for the biofuels segment for the year ended December 31, 2018 were favorably impacted by the receipt of approximately \$215 awarded to FutureFuel under the United States Department of Agriculture Section 9005 – Advanced Biofuel Producers program in 2018. This award totaled \$232 and \$220 in 2017 and 2016, respectively. Based on the characteristics of this award, FutureFuel recognizes the income from the award in the period the funding is received. The biofuels segment also includes activity on common carrier pipelines.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

## 21) Fair value measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value accounting pronouncements also include a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of FutureFuel. Unobservable inputs are inputs that reflect FutureFuel's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy is broken down into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Description	Asset (Liability)			
	Fair Value at December 31, 2018	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Derivative instruments	\$(297 )	\$(297 )	\$ -	\$ -
Preferred stock, trust preferred securities, exchange traded debt instruments, and other equity instruments	\$79,888	\$79,888	\$ -	\$ -

Description	Asset (Liability)			
	Fair Value at December 31, 2017	Fair Value Measurements Using Inputs Considered as:		
		Level 1		

			<b>Level 2</b>	<b>Level 3</b>
Derivative instruments	\$(2,428 )	\$(2,428 )	\$ -	\$ -
Preferred stock, trust preferred securities, exchange traded debt instruments, and other equity instruments	\$120,699	\$120,699	\$ -	\$ -

## 22) Reclassifications from accumulated other comprehensive income

The following tables summarize the changes in accumulated other comprehensive income from unrealized losses on available-for-sale securities:

**Changes in Accumulated Other Comprehensive Income Unrealized Gains and Losses on Available-for-Sale Securities  
For the twelve months ended December 31, 2018 and 2017  
(net of tax)**

	<b>2018</b>	<b>2017</b>
<b>Balance at January 1<sup>[1]</sup></b>	\$160	\$3,540
Other comprehensive income/(loss) before reclassifications	(180)	4,447
Amounts reclassified from accumulated other comprehensive income/(loss)	-	446
Net current-period other comprehensive income/(loss)	(180)	4,893
<b>Balance at December 31</b>	<b>\$(20 )</b>	<b>\$8,433</b>

[1] The beginning balance for 2018 was decreased \$8,273 to reflect the impact of the adoption of ASU 2016-01. See Note 27 for additional information.



Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

The following table summarizes amounts reclassified from accumulated other comprehensive income in the years ended December 31, 2018 and 2017:

**Reclassifications from Accumulated Other Comprehensive Income****For the twelve months ended December 31, 2018 and 2017**

	<b>2018</b>	<b>Affected Line Item in Statement of Operations</b>
Unrealized loss on available-for-sale securities	\$ -	Losses on marketable securities
Total before tax	-	
Tax benefit	-	
Total reclassifications	\$ -	

  

	<b>2017</b>	<b>Affected Line Item in Statement of Operations</b>
Unrealized loss on available-for-sale securities	\$ (687 )	Losses on marketable securities
Total before tax	(687 )	
Tax Benefit/(provision)	241	
Total reclassifications	\$ (446 )	

\* Effective January 1, 2018, FutureFuel's unrealized gains/(losses) on available-for-sale securities includes debt securities only in accordance with ASC 320 and ASC 321. The prior year was not restated under the modified retrospective approach in adoption of ASC 321. Please see Note 27 for further details on the adoption of this standard.

## 23) Commitments

*Lease agreements*

FutureFuel has entered into lease agreements for oil storage capacity, railcars, isotainers, gas cylinders, argon tanks, and office machines. Minimum rental commitments under existing non-cancellable operating leases as of December 31, 2018 were as follows:

	<b>Minimum Rental Commitment</b>
2019	644
2020	595
2021	389
2022	370
2023	341
Thereafter	24
Total	2,363

Lease expenses totaled \$658, \$952, and \$1,121 for the years ended December 31, 2018, 2017, and 2016, respectively.

*Purchase obligations*

FutureFuel has entered into contracts for the purchase of goods and services including contracts for the purchase of feedstocks for biodiesel and expansion of FutureFuel's specialty chemicals segment and related infrastructure.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**24) Quarterly financial information  
(unaudited)

	<b>Quarter</b>			
	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>
<b>2018</b>				
Revenues	\$55,747	\$88,336	\$81,422	\$65,513
Gross profit	\$37,507	\$8,271	\$12,653	\$14,967
Net income	\$35,826	\$6,051	\$9,445	\$1,836
<b>Net income per common share:</b>				
Basic	\$0.82	\$0.14	\$0.22	\$0.04
Diluted	\$0.82	\$0.14	\$0.22	\$0.04
<b>2017</b>				
Revenues	\$54,111	\$68,048	\$77,606	\$75,261
Gross profit	\$6,130	\$1,798	\$5,526	\$6,807
Net income	\$3,396	\$834	\$3,334	\$15,947
<b>Net income per common share:</b>				
Basic	\$0.08	\$0.02	\$0.08	\$0.36
Diluted	\$0.08	\$0.02	\$0.08	\$0.36

Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

## 25) Recently issued accounting standards

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In February 2016, the FASB issued ASU 2016-02, <i>Leases</i> .	The new guidance supersedes the lease guidance under FASB ASC Topic 840, <i>Leases</i> , resulting in the creation of FASB ASC Topic 842, <i>Leases</i> . The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases.	Annual periods beginning after December 15, 2018. Early adoption is permitted.	The Company is currently evaluating its population of leases, and is continuing to assess all potential impacts of the standard, but currently believes the most significant impact relates to its accounting for logistics equipment. Our implementation plan related to processes, systems and internal controls (including general ledger software integration) is nearing completion. The Company anticipates recognition of additional assets and corresponding liabilities related to leases upon adoption. The Company plans to adopt the standard effective January 1, 2019.
In June 2016, the FASB issued ASU 2016-13, <i>Financial Instruments - Credit Losses, Measurement of Credit Losses on Financial Instruments</i> .	These amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.	Annual periods beginning after December 15, 2019. Earlier adoption was permitted, for annual periods beginning after December 15, 2018.	The Company is currently considering the potential impact of this standard on financial reporting and internal controls related to the implementation of the standard as it relates to accounts receivable and debt securities and plans to adopt the new guidance on or before the effective date of January 1, 2020. The new guidance is expected to have minimal impact.
In June 2018, the FASB issued ASU 2018-07,	These amendments expand the scope of Topic 718, <i>Compensation—Stock Compensation</i>	Annual periods beginning after December 15,	The Company plans to adopt the new guidance effective January 1, 2019. The new guidance is expected to have

<i>Compensation - Stock Compensation, Improvements to Nonemployee Share-Based Payment Accounting.</i>	(which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned.	2018. Earlier adoption was permitted, but no earlier than a company's date of adoption of Topic 606, <i>Revenue from Contracts with Customers</i> .	minimal impact.
---	--	---	-----------------

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

## 26) Reserve roll forwards - valuation and qualifying accounts

	<b>Balance at January 1, 2018</b>	<b>Charged to Cost and Expense</b>	<b>Charged to Other Accounts</b>	<b>Deductions</b>	<b>Balance at December 31,2018</b>
Reserve for:					
Doubtful accounts and returns	\$ -	\$ -	\$ -	\$ -	\$ -
LIFO inventory	8,122	2,249	-	-	10,371
Aged and obsolete inventory	379	38	-	-	417
Deferred tax valuation allowance	-	-	-	-	-
Aged and obsolete supplies and parts	1,358	136	-	-	1,494
	<b>\$ 9,859</b>	<b>\$ 2,423</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,282</b>

	<b>Balance at January 1, 2017</b>	<b>Charged to Cost and Expense</b>	<b>Charged to Other Accounts</b>	<b>Deductions</b>	<b>Balance at December 31,2017</b>
Reserve for:					
Doubtful accounts and returns	\$ -	\$ -	\$ -	\$ -	\$ -
LIFO inventory	2,918	5,204	-	-	8,122
Aged and obsolete inventory	341	38	-	-	379
Deferred tax valuation allowance	-	-	-	-	-
Aged and obsolete supplies and parts	1,222	136	-	-	1,358
	<b>\$ 4,481</b>	<b>\$ 5,378</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,859</b>

	<b>Balance at January 1,</b>	<b>Charged to Cost and</b>	<b>Charged to Other</b>	<b>Balance at December</b>
--	--	--	---------------------------------	------------------------------------

	<b>2016</b>	<b>Expense</b>	<b>Accounts</b>	<b>Deductions</b>	<b>31,2016</b>
Reserve for:					
Doubtful accounts and returns	\$ -	\$ 106	\$ -	\$ 106	\$ -
LIFO inventory	3,502	-	-	584	2,918
Aged and obsolete inventory	546	-	-	205	341
Deferred tax valuation allowance	-	-	-	-	-
Aged and obsolete supplies and parts	987	235	-	-	1,222
	\$ 5,035	\$ 341	\$ -	\$ 895	\$ 4,481

#### 27) Change in accounting for financial instruments

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. One provision of this update requires that equity investments, except those accounted for under the equity method or resulting in consolidation, be measured at fair value and changes in fair value recognized in net income. The provisions of this update are recognized as a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. For public entities, this guidance was effective for years beginning after December 15, 2017, including interim periods within those years.

The new accounting standard related to the recognition and measurement of financial assets and liabilities makes the following changes to prior guidance and requires:

certain equity investments to be measured at fair value with changes in fair value now recognized in net income. However, equity investments that do not have readily determinable fair values may be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer;

Table of Contents**Notes to Consolidated Financial Statements of FutureFuel Corp.****(Dollars in thousands, except per share amounts)**

a qualitative assessment of equity investments without readily determinable fair values to identify impairment; and separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements.

We adopted the new accounting standard utilizing the modified retrospective method, and, therefore, no adjustments were made to amounts in our prior period financial statements. We recorded the cumulative effect of adopting the standard as an adjustment to increase the opening balance of retained earnings by \$13,139 on a pre-tax basis (\$8,273 after-tax) related to the net impact of unrealized gains and losses primarily on equity securities and preferred stock.

	<b>Twelve months ended December 31,</b>		
	<b>2018</b>	<b>2017*</b>	<b>2016*</b>
Net losses recognized on equity securities	\$(12,011)	\$(687 )	\$(1,340)
Less: net gains/(losses) recognized during the period on equity securities sold during the period	1,227	(687 )	\$(1,340)
Unrealized losses during the reporting period on equity securities held at the reporting date	\$(13,238)	\$-	\$-

\* Prior periods have not been adjusted under the modified retrospective method for Topic 321.

## 28) Legal proceedings

FutureFuel is not a party to, nor is any of its property subject to, any material pending legal proceedings, other than ordinary routine litigation incidental to its business. However, from time to time, FutureFuel may be a party to, or a target 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 FutureFuel expects to be handled and defended in the ordinary course of business. While FutureFuel is unable to predict the outcome of any matters currently pending, FutureFuel does not believe that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial condition, results of



operations, or cash flows. However, adverse developments could negatively impact earnings or cash flows in future periods.

Table of Contents**Supplementary Financial Information.**

The following is selected quarterly financial data for each full quarter within our two most recent fiscal years.

(Dollars in thousands except per share amounts)

	<b>Quarter</b>			
	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>
<b>2018</b>				
Revenues	\$55,747	\$88,336	\$81,422	\$65,513
Gross profit	\$37,507	\$8,271	\$12,653	\$14,967
Net income	\$35,826	\$6,051	\$9,445	\$1,836
<b>Net income per common share:</b>				
Basic	\$0.82	\$0.14	\$0.22	\$0.04
Diluted	\$0.82	\$0.14	\$0.22	\$0.04
<b>2017</b>				
Revenues	\$54,111	\$68,048	\$77,606	\$75,261
Gross profit	\$6,130	\$1,798	\$5,526	\$6,807
Net income	\$3,396	\$834	\$3,334	\$15,947
<b>Net income per common share:</b>				
Basic	\$0.08	\$0.02	\$0.08	\$0.36
Diluted	\$0.08	\$0.02	\$0.08	\$0.36

Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

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

RubinBrown LLP was engaged as the principal accountant to audit our financial statements for 2016, 2017, and 2018, and no other independent accountant was so engaged. There were no disagreements with RubinBrown LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our chief executive officer and our principal financial officer and other senior management personnel, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and our principal financial officer have concluded that these disclosure controls and procedures as of December 31, 2018 were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Table of Contents

**Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this assessment, management has concluded that, as of December 31, 2018, our internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by our auditor, RubinBrown LLP, a registered public accounting firm, which expressed an unqualified opinion as stated in their report, a copy of which is included below.

Table of Contents

**Report Of Independent**

**Registered Public Accounting Firm**

To the shareholders and the Board of Directors of FutureFuel Corp.

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of FutureFuel Corp. and subsidiaries (collectively, the Company) as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows, for each of the three years in the period ended December 31, 2018, and related notes and our report dated March 15, 2019, expressed an unqualified opinion thereon.

**Basis for Opinion**

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial

reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Table of Contents

**Definition and Limitations of Internal Control over Financial Reporting**

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

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

Denver, Colorado

March 15, 2019

Table of Contents

**Changes in Internal Control Over Financial Reporting**

We did not make any changes in our internal control over financial reporting as a result of our evaluation that occurred during the fiscal quarter ended December 31, 2018.

**Item 9B. Other Information.**

We did not fail to disclose any information required to be disclosed in a report on Form 8-K during the fourth quarter of 2018.



Table of Contents**PART III**

Unless otherwise stated, all dollar amounts are in thousands.

**Item 10. Directors, Executive Officers, and Corporate Governance.****Identification of Directors**

Our directors as of December 31, 2018 are as follows:

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Term Expires</b>
Paul A. Novelly, Chairman and chief executive officer	75	2005	2021
Edwin A. Levy	81	2005	2019
Donald C. Bedell	77	2008	2019
Paul M. Manheim	70	2011	2020
Dale E. Cole	70	2015	2021
Terrance C.Z. Egger	61	2015	2019
Jeffrey L. Schwartz	70	2015	2020
Alain Louvel	73	2018	2021

There is no arrangement or understanding between any of the above directors and any other person pursuant to which such person was or is to be selected as a director.

**Identification of Executive Officers**

Our executive officers are as follows:

<b>Name</b>	<b>Position</b>	<b>Officer</b>	
		<b>Age</b>	<b>Since</b>
Paul A. Novelly	Chairman of the board and chief executive officer	75	2005
Thomas McKinlay	Chief Operating Officer	55	2017
Rose M. Sparks	Principal financial officer and chief financial officer	52	2012
Paul M. Flynn	Executive Vice President	52	2015

There is no arrangement or understanding between any of the above officers and any other person pursuant to which such person was or is to be selected as an officer.

#### **Identification of Certain Significant Employees**

The following individuals are executive officers of FutureFuel Chemical Company who are expected to make significant contributions to our business.

<b>Name</b>	<b>Position</b>	<b>Officer</b>	
		<b>Age</b>	<b>Since</b>
Thomas McKinlay	Chief Operating Officer	55	2017
Rose M. Sparks	Chief Financial Officer	52	2013
Paul M. Flynn	Executive Vice President of Business and Marketing	52	2014

There is no arrangement or understanding between any of the above officers and any other person pursuant to which such person was or is to be selected as an officer.



Table of Contents

**Family Relationships**

There is no family relationship between any of our executive officers and directors.

**Business Experience**

**Paul A. Novelly** has been our chairman of the board since inception and chief executive officer since January 2013. Mr. Novelly is chairman and chief executive officer of Apex Oil Company, Inc., a privately-held company based in St. Louis, Missouri engaged in the trading, storage, marketing, and transportation of petroleum products, including liquid terminal facilities in the Midwest and Eastern United States, and towboat and barge operations on the inland waterway system. Mr. Novelly is president and a director of AIC Limited, a Bermuda-based oil trading company, chief executive officer of WPT GP, LLC, a director and the chairman of World Point Terminals, Inc., a Delaware company based in Missouri that, through its operating subsidiaries, owns and operates petroleum storage facilities in the United States, and chief executive officer of St. Albans Global Management, Limited Partnership, LLLP, which provides corporate management services. In the past five years, Mr. Novelly was a director of WPT GP, LLC, a wholly owned subsidiary of World Point Terminals, Inc. and general partner of World Point Terminals, LP. World Point Terminals, LP was a publicly traded master limited partnership listed on the New York Stock Exchange until July 2017. He currently serves on the board of directors at Boss Holdings, Inc., a distributor of work gloves, boots and rainwear, and other consumer products, and FCB Financial Holdings, Inc., a holding company whose material subsidiary is Florida Community Bank. Mr. Novelly previously served on the board of directors of World Point Terminals, Inc., a Canadian and Toronto Stock Exchange company and the predecessor to World Point Terminals, Inc.

Our board believes that Mr. Novelly's experience, knowledge, skills, and expertise as our chairman since 2005 and his knowledge of our operations and effectiveness of our business strategies provide valuable perspective to our board and add significant value. Additionally, Mr. Novelly's experience as the chief executive officer of Apex Oil Company, Inc., AIC Limited, St. Albans Global Management, Limited Partnership, LLLP, and WPT GP, LLC and as the chairman of World Point Terminals, Inc., as well as a number of executive positions with other oil refining, terminalling, storage, and transportation companies, are integral to our board's assessment of our business opportunities and strategic options. Finally, Mr. Novelly's service and experience as a director for other boards, including active involvement in strategic planning for those companies, strengthens the governance and functioning of our board.

**Edwin A. Levy** has been a member of our board since November 2005. In 1979, Mr. Levy co-founded Levy, Harkins & Co., Inc., an investment advisory firm, where he now serves as chairman emeritus of the board. Mr. Levy was a director of Traffix, Inc. between November 1995 and 2006, and served as a member of its audit committee and stock options committee. He is a director of World Point Terminals, Inc., a Delaware company based in Missouri that, through its operating subsidiaries, owns and operates petroleum storage facilities in the United States. FutureFuel Corp.'s chairman, Paul A. Novelly, is the chairman of the board of World Point Terminals, Inc. In the past five years,

Mr. Levy was a director of WPT GP, LLC, a wholly owned subsidiary of World Point Terminals, Inc. and general partner of World Point Terminals, LP. World Point Terminals, LP was a publicly traded master limited partnership listed on the New York Stock Exchange until July 2017.

Our board believes that Mr. Levy's experience, knowledge, skills, and expertise as a member of our board and his knowledge of our operations and business strategies gained over his ten-plus years of service to us in that capacity provide valuable perspective to our board and add significant value. Additionally, Mr. Levy's finance and investment experience from his involvement with Levy, Harkins & Co., Inc. is integral to our board's assessment of our business opportunities and strategic options. Finally, Mr. Levy's service and experience as a director for other boards, including active involvement in strategic planning for those companies, strengthens the governance and functioning of our board.

**Donald C. Bedell** has been a member of our board since March 17, 2008. Mr. Bedell is chairman of the board of privately held Castle Partners and its affiliates, based in Sikeston, Missouri, which operate over 35 skilled nursing, health care, pharmaceutical, hospice, and therapy facilities throughout Missouri and other states. Mr. Bedell is a director of First Community Bank of Batesville, Arkansas and is a member of the executive committee of such bank and its holding company. He is also a director of World Point Terminals, Inc., a Delaware company based in Missouri that, through its operating subsidiaries, owns and operates petroleum storage facilities in the United States. FutureFuel Corp.'s chairman, Paul A. Novelly, is the chairman of the board of World Point Terminals, Inc. Mr. Bedell is the former chairman of the Missouri Department of Conservation. In the past five years, Mr. Bedell has served on the board of directors of World Point Terminals Inc., a Canadian and Toronto Stock Exchange predecessor to World Point Terminals, Inc.

Table of Contents

Our board believes that Mr. Bedell's experience, knowledge, skills, and expertise acquired as the chairman at Castle Partners, including experience and understanding of business strategy formation and execution from both a board and management perspective, add significant value to our board. Additionally, Mr. Bedell's service and experience as a director for other boards, including active involvement in strategic planning for those companies, strengthens the governance and functioning of our board.

**Paul M. Manheim** has been a member of our board since July 15, 2011. Mr. Manheim is currently a non-executive director of HAL Real Estate Inc., which develops and owns a portfolio of real estate in the Pacific Northwest consisting of multi-family, office, and mixed-use assets. He was the president and chief executive officer of HAL Real Estate Inc. until September 2005. HAL Real Estate Inc. is a subsidiary of HAL Holding N.V. Mr. Manheim joined Holland America Line, N.V., the predecessor of HAL Holding N.V., an international holding company traded on the Amsterdam Stock Exchange, in 1982 and filled various positions in the financial and corporate development areas. June 2005 to 2014, Mr. Manheim was the chairman of the board of Shanghai Red Star Optical Company, which owns a portfolio of optical retail outlets in China and is affiliated with Europe's largest optical retailer. Mr. Manheim has served as a director and chairman of the audit committee of World Point Terminals, Inc. and its predecessor since 2009. He is also a director of World Point Terminals, Inc., a Delaware company based in Missouri that, through its operating subsidiaries, owns and operates petroleum storage facilities in the United States. FutureFuel Corp.'s chairman, Paul A. Novelty, is the chairman of the board of World Point Terminals, Inc. Mr. Manheim received a bachelor of commerce degree with honors from the University of New South Wales, Australia, and qualified as a Chartered Accountant in 1976.

Our board believes that Mr. Manheim's experience, knowledge, skills, and expertise acquired as the president and chief executive officer at HAL Real Estate Inc., including experience and understanding of business strategy formation and execution from both a board and management perspective, add significant value to our board. Additionally, Mr. Manheim's service and experience as a director for other boards, strengthens the governance and functioning of our board. Finally, Mr. Manheim's experience as the chairman of the audit committee of WPT GP, LLC and his experience as a chartered accountant add significant value to our board.

**Dale E. Cole** has served on our board since August 2015 and is a graduate of the University of Texas at Austin with an undergraduate degree in business and finance and the Graduate School of Banking at Louisiana State University. Mr. Cole's career in banking began in 1974 with Texas Bank and Trust Company in Dallas, TX. He then worked with First National Bank in Marshal, TX, and became President of Banc Texas McKinney in McKinney, TX in 1983. In 1988, Mr. Cole became Chairman and CEO of Worthen Banking Corporation, with two banks in Batesville and Newark, AR. Mr. Cole founded First Community Bank in 1997. He currently serves as Chairman and CEO of First Community Bank and its holding company. Mr. Cole previously served on the Board of Trustees of the Barret School of Banking in Memphis, TN, the Board of Visitors of the University of Arkansas Community College in Batesville, AR, the Board of the Chamber of Commerce, Economic Development Foundation in Batesville, AR, Lyon College Advisory Counsel, and the board of White River Medical Center in Batesville, AR. Mr. Cole currently serves as a trustee of Lyon College in Batesville. As of December 31, 2017, First Community Bank had 20 branch locations in Northeast Arkansas and Southwest Missouri and maintained assets of \$1,339,893,950.

Mr. Cole's extensive career in banking built in him a strong foundation in business, regulatory environments, and corporate governance. Having served on numerous committees throughout his career, including compensation, trust, executive, asset/liability, investment, and many others, Mr. Cole's well-rounded experience and exposure in banking and regulatory environments will strengthen the governance function of our board. Additionally, Mr. Cole's service and experience as chairman for other boards, including active involvement in strategic planning for those companies, strengthens the governance and functioning of our board.

***Terrance C.Z. (Terry) Egger*** has served on our board since August 2015. He is the publisher and CEO of Philadelphia Media Network, parent company of the Philadelphia Inquirer, the Philadelphia Daily News and Philly.com, that region's largest news company, in which capacity he oversees all operations of the newspaper and its affiliates. Prior to August 2015, Mr. Egger served as president and CEO of the Cleveland 2016 Host Committee, Inc., where he led the successful effort for the City of Cleveland to host the 2016 Republican National Convention. In 2013, Mr. Egger had retired as chairman of The Plain Dealer Publishing Co. in Cleveland, parent company of the The Plain Dealer, Ohio's largest paper, where he had served in several executive capacities from 2006. From 1996 to 2006, Mr. Egger was the president and publisher of the St. Louis Post-Dispatch, where he supervised all operations, including its website STLtoday.com and Suburban Journals of Greater St. Louis. Terry started his newspaper career managing marketing and advertising for papers in Los Angeles, California and Tucson, Arizona. Mr. Egger is a member of the Board of Directors of Medical Mutual of Ohio and a member of the Board of Trustees of the Cleveland Clinic Foundation. He has a bachelor's degree from Augustana College and a master's degree in speech communication from San Diego State University.

Table of Contents

Our board believes that Mr. Egger's experience, knowledge, skills, and expertise, including experience and understanding of business strategy, development, supervision, operations and management add significant value to our board. Additionally, Mr. Egger's service and experience on other boards, strengthens the governance and functioning of our board.

**Jeffrey Schwartz** has served on our board since August 2015. He is a private investor and consultant for digital media and technology companies. Since 2008, Mr. Schwartz has been a founder and principal of Digital Direct Ventures (DDV), which partners with companies seeking to create a digital presence for their companies. He also started Old Pro Inc. (OPI) which invests in and provides financial and technical consulting to early stage technology companies, including successes like DraftStreet.com and JW Player Incorporated. From 1993 to 2008, Mr. Schwartz was the chief executive officer of Traffix, Inc. and its predecessor, Quintel Communications, Inc., a NASDAQ listed company and leading digital marketer. Mr. Schwartz has been involved in all aspects of web-based and technology commerce, including online and search engine marketing, interactive games, list brokerage and creative services.

Our board believes that Mr. Schwartz's experience, knowledge, skills, and expertise, including experience and understanding of business strategy, development and marketing add significant value to our board and the company.

**Alain J. Louvel**, after receiving an MBA from Columbia University and a Master's in Economics and Political Sciences degree from the Paris University, began his professional career in 1970 as an advisor to the Department of Industry and Trade of the Quebec Government.

In 1972, he joined Bank Paribas and for the next 33 years held numerous positions with Bank Paribas in France, Canada and the United States. From 1985 on, for a period of 10 years, he was responsible for the bank's energy, commodity and derivative activities, first in New York covering the Americas until 1991, and then in the Paris head office as global head. In 1996, Mr. Louvel returned to New York as the bank's head of territory for the Americas and completed his banking career as head of risk Management Americas, with overall responsibilities over credit, market, counterparty and operational risk for the combined operations of Bank Paribas and BNP following the merger that formed BNP Paribas, until his retirement from the bank in 2007.

Mr. Louvel currently serves as a director and/or member of the Audit Committee of Great West Life Insurance and Annuity, Putnam Investments LLC, and Mountain Asset Management LLC. He is also a trustee of the French Institute Alliance Francaise and a French Foreign Trade Counselor. Mr. Louvel previously served on the board of directors of World Point Terminals Inc., predecessor to World Point Terminals, LP's parent and a Canadian and Toronto Stock Exchange company prior to June 2010.



Our board believes that Mr. Louvel's experience, knowledge, skills, and expertise acquired in international banking and finance, including experience and understanding of business strategy related to energy, commodities and derivatives, add significant value to our board. Additionally, Mr. Louvel's service and experience as a director for other boards both international and domestic, including involvement as a member of other audit committees, strengthens the governance and functioning of our board.

**Thomas McKinlay** became FutureFuel Corp.'s and FutureFuel Chemical Company's Chief Operating Officer on January 9, 2017. Mr. McKinlay is a Chemical Engineer and business operations executive with over 30 years of global experience in the oil and gas industry. He has extensive experience in the oil and gas industry on both sides of the Atlantic. This includes responsibility for large scale refining and trading operations midstream assets renewables production and trading retail contract negotiation and mergers and acquisitions.

For over two years prior to his hire by FutureFuel, Mr. McKinlay was the owner and president of Gilrita Consulting Limited, a UK based independent downstream consultancy firm. Prior to Gilrita Consulting Limited, he was Executive Vice President of Murphy Oil Corporation for more than three years, a role which latterly incorporated the role of Managing Director of Murco Petroleum Limited, a UK based oil refining company. Mr. McKinlay was employed for approximately six years by Murphy Oil where he became Executive Vice President of Worldwide Downstream Operations. Mr. McKinlay received a bachelor of science in chemical engineering (with honors) from the University of Strathclyde in Glasgow, UK in 1985.

Our board believes the experience, knowledge, skills, and expertise Mr. McKinlay acquired in his past roles in operations add significant, strategic value to the company. Additionally, Mr. McKinlay's experience with large scale production and trading provides the company with significant understanding in the regional and global biodiesel industry.

## Table of Contents

**Rose M. Sparks** has been our principal financial officer and treasurer and principal accounting officer since November 8, 2012 and our chief financial officer since June 1, 2013. Prior to June 1, 2013, Mrs. Sparks served as the controller of FutureFuel Chemical Company since its acquisition in 2006 and has over twenty-five years of experience at the Batesville facility. Prior to our acquisition of FutureFuel Chemical Company, Mrs. Sparks worked for Eastman Chemical as controller at the Batesville plant. Mrs. Sparks holds a certified public accounting certificate but has elected inactive status.

Our board believes that Mrs. Sparks' experience, knowledge, skills, and expertise acquired as controller of FutureFuel Chemical Company, and her knowledge of our operations and business strategies gained over her years of service in that role, as well as experience as a certified public accountant, add significant value to us.

**Paul M. Flynn** became FutureFuel Chemical Company's executive vice president of business and marketing on September 2, 2014. Mr. Flynn is a veteran business executive with 25 years in the chemical and biotech industries. After joining Monsanto Company in 2008 as Director of Strategic Alliances, he spent six years developing corporate strategy, and recently led its development of a new biologicals growth platform. Prior to Monsanto, Mr. Flynn was global business manager for automotive and electrical products for Eastman Chemical Company. He eventually led the strategy development and execution for transforming Specialty Plastics into a profitable growth division for Eastman. He has extensive global experience, including prior relocations to Japan and Singapore. He received an MBA from Kellogg School of Management, Northwestern University and graduated from Athlone Institute in Ireland with a B.S. in Polymer Technology.

Our board believes the experience, knowledge, skills, and expertise Mr. Flynn established in Monsanto Company's corporate strategy division adds significant, strategic value to the company. Additionally, Mr. Flynn's experience with Eastman's Specialty Plastics division and as a global business manager provides to the company a fresh perspective and practical insight to the regional and global chemical industry.

## **Involvement in Legal Proceedings**

None of our directors or executive officers were involved within the past ten years in any matter described in Item 401(f) of Regulation S-K.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon a review of Forms 3 and Forms 4 and amendments thereto furnished to us under the rules of the SEC promulgated under Section 16 of the Exchange Act during the fiscal year ended December 31, 2018, and Forms 5 and amendments thereto furnished to us with respect to the fiscal year ended December 31, 2018, as well as any written representation from a reporting person that no Form 5 is required, we are not aware that any officers, members of our board of directors and/or beneficial owners of more than 10% of our common stock failed to file on a timely basis, as disclosed in the aforementioned forms, reports required by Section 16 of the Exchange Act during the year ended December 31, 2018.

### **Code of Business Conduct and Ethics**

We adopted a revised code of business conduct and ethics that applies to all of our employees and the employees of our subsidiaries, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this revised code of business conduct and ethics has been posted on our Internet website and may be accessed at <https://futurefuelcorporation.gcs-web.com/corporate-governance>. We will provide any person, without charge, a copy of such code of business conduct and ethics upon request to FutureFuel Corp., 8235 Forsyth Blvd., 4th Floor, Clayton, Missouri 63105, attention: Investor Relations.

Table of Contents

**Nominating Committee**

Our board established a nominating/corporate governance committee and adopted a revised charter for such committee. A copy of this revised nominating/corporate governance committee charter is posted on our website and may be accessed at <http://ffu.client.shareholder.com/corporate-governance.cfm> The nominating/corporate governance committee charter contains procedures for Company shareholders to submit recommendations for nomination to our board. The nominating/corporate governance committee charter was attached as an exhibit to our Form 10 Registration Statement filed with the SEC on April 24, 2007 and was last updated on July 16, 2015.

**Audit Committee**

We have a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act, and have adopted a revised audit committee charter. A copy of this revised audit committee charter has been posted on our website and may be accessed at <http://ir.futurefuelcorporation.com/governance.cfm>. The current members of the audit committee are as follows:

Donald C. Bedell

Dale E. Cole

Alain J. Louvel

Paul M. Manheim (Chair)

**Audit Committee Expert**

Our board of directors determined that each member of our audit committee is an audit committee financial expert. Each such member of our audit committee is independent, as independence for audit committee members is defined in the listing standards applicable to us.

Table of Contents

**Item 11. Executive Compensation.**

**General**

Our board of directors has established a compensation committee. The compensation committee's responsibilities include, among other things, determining our policy on remuneration to our (that is, FutureFuel Corp.'s) officers and directors and the executive officers and directors of FutureFuel Chemical Company. Our directors receive an annual stipend of \$30, but the stipend is prorated if their service was for less than the full year. Committee heads receive an additional \$10 on an annual basis, again prorated if serving as committee chairman for less than the full year. The compensation committee also approved the payment to our directors of \$2 for each board and committee meeting attended in person and \$1 for each board and committee meeting attended telephonically. During 2018, the compensation committee reviewed and approved this fee schedule as reasonable and appropriate compensation to our directors and has determined to use the same fee structure for 2019. In November 2018, an additional stipend of \$20 was approved and paid to our directors in December 2018.

We determined for 2018 not to pay salaries, bonuses, or other forms of cash compensation to any of our board members that serve as executive officers (in their capacities as such). Executive officer compensation will be monitored during 2019 and set or adjusted as the board deems appropriate.

In 2018, we paid salaries, bonuses, and other forms of compensation to the officers of FutureFuel Chemical Company as described below.

**Compensation Discussion and Analysis**

The objectives of our compensation program are to provide a competitive compensation package that rewards sustained financial and operating performance that creates long-term value for our shareholders. Our compensation programs are intended to meet the goals of attracting and retaining qualified personnel motivating these individuals to achieve short-term and long-term corporate goals without undue risk-taking and to promote equity among executive officer positions, while considering external competitiveness and differences in job responsibilities.

The elements of our compensation program include base salary, bonuses, and certain retirement, insurance, and other benefits generally available to all employees. In addition, in 2017, our board adopted an omnibus incentive plan which was approved by our shareholders at our 2017 annual meeting on September 7, 2017 (the "Incentive Plan"). The Incentive Plan provides equity-based compensation to our executive officers and our directors. Our compensation

committee, and the Company generally, makes decisions with respect to each compensation element paid or payable to our personnel on an individual-by-individual basis and does not necessarily take into account decisions made with respect to other elements of compensation that may be paid to such individual. The overall goal of our compensation program, however, is to achieve the goals described above.

#### *Cash Salaries and Bonuses*

We determined not to pay cash salaries or bonuses to Mr. Novelly for 2018. Our chairman and chief executive officer, Mr. Novelly, receives compensation from our affiliate, St. Albans Global Management, Limited Partnership, LLLP. Mr. Novelly did not receive any increase in salary, bonus, or other income to compensate him for his services to us. The base salary for Mrs. Sparks was increased approximately 7% in 2018. Mr. Flynn was hired in 2014, with a base salary set largely in line with our other executives at FutureFuel Chemical Company and commensurate with his experience. Mr. Flynn's base salary was increased approximately 5.6% in 2018. Mr. McKinlay was hired in 2017 with a base salary set largely in line with our other executives at FutureFuel Chemical Company and commensurate with his experience. Mr. McKinlay's base salary was increased approximately 4.4% in 2018. The Company's compensation committee and board have considered the advisory vote on executive compensation cast by our shareholders at our annual shareholders' meeting on September 7, 2017. Such advisory vote was determined to be in line with recommendations of the compensation committee and the board and the compensation decisions and policies of the Company.

For the year 2018, we established a bonus pool for the employees of our subsidiary, FutureFuel Chemical Company. The total bonus target amount was determined by our chief executive officer in consultation with our other executive officers. Eligible FutureFuel Chemical Company employees hired prior to January 1, 2018 received approximately 176 hours of pay at their normal hourly rate. Employees hired in 2018 received a prorated or reduced amount based on their length of service. Salaried employees of FutureFuel Chemical Company (other than certain lead executives) received an additional bonus amount ranging from \$0 to \$100. Bonuses to FutureFuel Chemical Company's managers other than the lead executive team were determined by FutureFuel Chemical Company's board of directors. Bonuses in 2018 for Mr. McKinlay, Mr. Flynn, Mrs. Sparks, and other lead executives of FutureFuel Chemical Company were recommended by our chief executive officer, then reviewed and approved by the Compensation Committee of our Board after considering several factors, including our overall financial performance and comparative information regarding the executive pay practices of our competitors. Such bonus distributions were designed to be sufficient compensation for the services rendered, competitive with market rates for similar services, and sufficient to motivate these individuals to aid in our achievement of short-term and long-term corporate goals.

Table of Contents

We expect to establish an annual cash bonus program for fiscal years commencing after 2018 with a target of 10% of after-tax earnings of FutureFuel Chemical Company, subject to certain adjustments, and solely on a discretionary basis. In determining actual bonus payouts for such years, we expect that the compensation committee will consider performance against performance goals to be established by us, as well as individual performance goals. We expect that this annual cash bonus program will apply to certain key employees of FutureFuel Chemical Company in addition to the executives whose compensation is described herein. The actual amount of bonuses, if any, will be determined near the end of our fiscal year.

*Omnibus Incentive Plan*

Our board of directors adopted an omnibus incentive plan, which was approved by our shareholders at our 2017 annual shareholder meeting on September 7, 2017 (the "Incentive Plan"). The purpose of the Incentive Plan is to:

Encourage ownership in us by key personnel whose long-term employment with or engagement by us or our subsidiaries (including FutureFuel Chemical Company) is considered essential to our continued progress and, thereby, encourage recipients to act in our shareholders' interests and share in our success  
Encourage such persons to remain in our employ or in the employ of our subsidiaries and

Provide incentives to persons who are not our employees to promote our success.

The Incentive Plan authorizes us to issue stock options (including incentive stock options and nonqualified stock options), stock awards, and stock appreciation rights. To date, 10,000 options for shares of stock and no awards of shares of stock have been made. Please see Note 13 to our consolidated financial statements for a detailed discussion of 2018 stock based compensation awards.

Eligible participants in the Incentive Plan include (i) members of our board of directors and our executive officers (ii) regular, active employees of us or of any of our subsidiaries and (iii) persons engaged by us or by any of our subsidiaries to render services to us or our subsidiaries as an advisor or consultant.

Awards under the Incentive Plan are limited to shares of our common stock, which may be shares reacquired by us, including shares purchased in the open market, or authorized but un-issued shares. Awards are limited to 10% of the issued and outstanding shares of our common stock in the aggregate, or 4,374,167 shares, as of the date of the adoption of the Incentive Plan. Taking into account the prior grants of stock options and stock awards under the Incentive Plan, 4,364,167 shares are available to be issued under the Incentive Plan as of December 31, 2018.

The Incentive Plan is administered by: (i) our board, (ii) a committee of our board appointed for that purpose; or (iii) if no such committee is appointed, our board's compensation committee (in any case, the "Administrator"). The Administrator may appoint agents to assist it in administering the Incentive Plan. The Administrator may delegate to one or more individuals the day-to-day administration of the Incentive Plan and any of the functions assigned to the Administrator in the Incentive Plan. Such delegation may be revoked at any time. All decisions, determinations, and interpretations by the Administrator regarding the Incentive Plan and the terms and conditions of any award granted thereunder will be final and binding on all participants.

The Incentive Plan became effective upon its approval by our shareholders and continues in effect for a term of ten years thereafter unless amended and extended by us or unless earlier terminated. The individuals and number of persons who may be selected to participate in the plan in the future is at the discretion of the Administrator and, therefore, are not determinable at this time. Likewise, the number of stock options, stock awards and stock appreciation rights that will be granted to eligible participants pursuant to the plan are not determinable at this time.

The Administrator may grant a stock option or provide for the grant of a stock option either from time to time in the discretion of the Administrator or automatically upon the occurrence of events specified by the Administrator, including the achievement of performance goals or the satisfaction of an event or condition within the control of the participant or within the control of others. Each option agreement must contain provisions regarding (i) the number of shares of common stock that may be issued upon exercise of the option (ii) the type of option (iii) the exercise price of the shares and the means of payment for the shares (iv) the term of the option (v) such terms and conditions on the vesting or exercisability of the option as may be determined from time to time by the Administrator (vi) restrictions on the transfer of the option and forfeiture provisions and (vii) such further terms and conditions not inconsistent with the plan as may be determined from time to time by the Administrator. Unless otherwise specifically determined by the Administrator or otherwise set forth in the Incentive Plan, the vesting of an option will occur only while the participant is employed or rendering services to us or one of our subsidiaries, and all vesting will cease upon a participant's termination of employment for any reason.



Table of Contents

The Administrator may grant annual performance vested options. Performance will be tied to annual cash flow targets (our consolidated income plus depreciation plus amortization) in amounts to be determined. Annual performance vested options will vest 25% for each year that the annual cash flow target is achieved (with provisions for subsequent year catch-ups). Neither our management nor our compensation committee, however, has through the year ended December 31, 2018 made any awards that were contingent upon the achievement of specified performance goals or that were otherwise performance-vested. Rather, through 2018, all grants were made in the discretion of our compensation committee based upon their authority under the Incentive Plan.

The Administrator may grant cumulative performance vested options. Performance will be tied to cumulative cash flow in amounts to be determined for periods to be determined.

The Administrator may issue other options based upon the following performance criteria either individually, alternatively, or in any combination, applied to either us as a whole or to a business unit, subsidiary, or business segment, either individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Administrator: (i) cash flow (ii) earnings (including gross margin, earnings before interest and taxes, earnings before taxes, and net earnings) (iii) earnings per share (iv) growth in earnings or earnings per share (v) stock price (vi) return on equity or average shareholders' equity (vii) total shareholder return (viii) return on capital (ix) return on assets or net assets (x) return on investment (xi) revenue (xii) income or net income (xiii) operating income or net operating income (xiv) operating profit or net operating profit (xv) operating margin (xvi) return on operating revenue (xvii) market share (xviii) overhead or other expense reduction (xix) growth in shareholder value relative to the moving average of the S&P 500 Index or a peer group index (xx) strategic plan development and implementation and (xxi) any other similar criteria.

Such options will vest and expire (including on a pro rata basis) on such terms as may be determined by the Administrator from time to time consistent with the terms of the Incentive Plan.

The Administrator may award our common stock to participants. The grant, issuance, retention, or vesting of each stock award may be subject to such performance criteria and level of achievement versus these criteria as the Administrator determines, which criteria may be based on financial performance, personal performance evaluations, or completion of service by the participant. Unless otherwise provided for by the Administrator, upon the participant's termination of employment other than due to death or retirement, the unvested portions of the stock award and the shares of our common stock subject thereto will generally be forfeited. Unless otherwise provided for by the Administrator, if a participant's termination of employment is due to death or retirement, all outstanding stock awards will continue to vest provided certain conditions to be determined are met. Unless otherwise provided for by the Administrator, if a participant's termination of employment is due to his death, a portion of each outstanding stock award granted to such participant will immediately vest and all forfeiture provisions and repurchase rights will lapse as to a prorated number of shares of common stock determined by dividing the number of whole months since the grant date by the number of whole months between the grant date and the date that the stock award would have fully vested.

The Administrator may grant stock appreciation rights either alone or in conjunction with other awards. The Administrator will determine the number of shares of common stock to be subject to each award of stock appreciation rights. The award of stock appreciation rights will not be exercisable for at least six months after the date of grant except as the Administrator may otherwise determine in the event of death, disability, retirement, or voluntary termination of employment of the participant. Except as otherwise provided by the Administrator, the award of stock appreciation rights will not be exercisable unless the person exercising the award of stock appreciation rights has been at all times during the period beginning with the date of the grant thereof and ending on the date of such exercise, employed by or otherwise performing services for us or one of our subsidiaries.

In the event there is a change in control of the Company, as determined by our board, our board may, in its discretion: (i) provide for the assumption or substitution of, or adjustment to, each outstanding award (ii) accelerate the vesting of awards and terminate any restrictions on cash awards or stock awards and (iii) provide for the cancellation of awards for a cash payment to the participant.

Our prior omnibus incentive plan (the "Prior Plan") was adopted by our shareholders at our 2007 annual shareholder meeting on June 26, 2007. The Prior Plan expired on June 26, 2017. Under the Prior Plan, we were authorized to issue 2,670,000 shares of our common stock. Through the expiration of the Prior Plan, we issued options to purchase 1,060,500 shares of our common stock and awarded an additional 414,800 shares to participants under the Prior Plan. No further awards will be granted under the Prior Plan.

Table of Contents

**Federal Income Tax Consequences of the Incentive Plan**

Upon the exercise of a non-qualified stock option, a participant in the Incentive Plan will realize income in the year of exercise equal to the difference between the exercise price and the value of the shares acquired, and we may deduct an amount equal to the income recognized by the participant, subject to the limits under applicable laws. We will not receive a tax deduction at the time of a grant or exercise of an incentive stock option, and no income is recognized by a participant when an incentive stock option is granted or exercised. When an incentive stock option is exercised, the difference between fair market value at the date of exercise and the exercise price will be an item of adjustment for purposes of calculating the participant's alternative minimum tax for the year of exercise.

If the shares of our common stock acquired upon exercise of an incentive stock option are disposed of after the later of two years from the date of option grant or one year after the transfer of the shares to the participant (the "holding period"), any gain or loss upon disposition of the shares will be treated for federal income tax purposes as long-term capital gain or loss, as the case may be. A disposition includes a sale, exchange, gift or other transfer of legal title. In general, a participant's basis in the shares of our common stock received upon exercise of an incentive option will be the exercise price paid by him or her for the shares. If the option shares are disposed before the expiration of the holding period, all or part of any gain will be characterized as ordinary income depending upon the relative amount of the sale price of the shares as compared with the exercise price of the shares. The amount of ordinary income realized by an employee in a sale or exchange for which a loss would be recognized is limited to the excess of the amount realized on the sale or exchange over the stock's adjusted basis.

Ordinary income received on account of a disposition of shares within the holding period will be taxable as additional compensation, and we may treat that income as a deductible expense for federal income tax purposes.

*Retirement Benefits*

We adopted a 401(k) plan for FutureFuel Chemical Company which is generally available to all of its employees.

*Founder's Grant*

Certain of our executive officers were granted founders shares as described herein. Please refer to the discussion under "Item 12. - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters - Founding Shares Owned by the Founding Shareholders" below.

*Life Insurance and Other Employee Benefits*

Our executive officers other than Mr. Novelly participate in employee welfare plans (life insurance, medical insurance, disability insurance, vacation pay, and the like) maintained by FutureFuel Chemical Company for all of its employees.

*The Compensation Committee*

Our compensation committee currently consists of Donald C. Bedell (Chair), Edwin A. Levy, and Terrance C.Z. Egger. Each of these individuals is an “independent director” under the rules of the NYSE, a “Non-Employee Director” within the meaning of Section 16 of the Exchange Act, and an “outside director” within the meaning of §162(m) of the Internal Revenue Code of 1986, as amended.

*Recommendations from Management*

Our chairman and chief executive officer makes recommendations to the compensation committee regarding salaries and bonuses for executive officers, as well as awards under the Incentive Plan. The compensation committee takes these recommendations into consideration in approving all such salaries, bonuses, and awards.

Table of Contents**Summary Compensation Table**

Our executive officers were paid the following compensation for the three-year period ended December 31, 2018.

**Summary Compensation Table**

(Dollars in thousands)

Person	Year	Salary	Bonus	Stock Awards (d)	Option Awards (d)	All Other Compensation	Total
Paul A. Novelly <sup>(a)</sup> <sup>(b)</sup>	2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Chairman and Chief executive officer FutureFuel Corp.	2017	\$ -	\$ -	\$ 108	\$ -	\$ -	\$ 108
	2016	\$ -	\$ -	\$ 999	\$ -	\$ -	\$ 999
Rose M. Sparks <sup>(a)</sup>	2018	\$ 183	\$ 100	\$ -	\$ 28	\$ 20	\$ 331
Chief financial officer, principal financial officer, and treasurer, FutureFuel Corp.	2017	\$ 170	\$ 88	\$ -	\$ -	\$ 24	\$ 282
	2016	\$ 161	\$ 100	\$ -	\$ -	\$ 17	\$ 278
Paul M. Flynn <sup>(a)</sup> <sup>(c)</sup>	2018	\$ 226	\$ 100	\$ 369	\$ -	\$ 21	\$ 716
Executive vice president of business and marketing, FutureFuel Chemical Company	2017	\$ 213	\$ 88	\$ 342	\$ -	\$ 22	\$ 665
	2016	\$ 218	\$ 100	\$ 292	\$ -	\$ 14	\$ 624
Tom McKinlay <sup>(a)</sup>	2018	\$ 287	\$ 100	\$ -	\$ -	\$ 85	\$ 472
Chief operating officer	2017	\$ 264	\$ 88	\$ -	\$ -	\$ 13	\$ 365

(a) Executive officers of FutureFuel Chemical Company for the years indicated.

For Mr. Novelly, includes director fees; for all others, includes contributions (including accrued contributions) to vested and unvested defined contribution plans, HSA matching contributions, and the dollar value of any (b) insurance premiums paid by, or on behalf of, us during or for the covered fiscal year with respect to life and disability insurance for the benefit of the named person. The above amounts do not include travel expenses reimbursed pursuant to Company policy.

Mr. Flynn became FutureFuel Chemical Company's executive vice president of business and marketing effective (c) September 2, 2014. He was awarded 125,000 shares of our common stock, of which 25,000 vested immediately and 25,000 vested in each of the following four years.

(d)

Represents the grant date valuation of the awards under FASB ASC Topic 718. Assumptions used for determining the value of option awards reported here are set forth in Note 13 to our consolidated financial statements included elsewhere herein. Mr. Novelly's prior year stock awards amount restated to conform with current year presentation.

### **Grants of Plan-Based Awards**

No stock options or stock awards were granted under an incentive plan to executive officers in 2018.

### **Outstanding Equity Awards at Fiscal Year-End**

There were no unexercised options, unvested stock awards, or equity incentive plan awards as of December 31, 2018 with respect to our executive officers.

Table of Contents**Option Exercises and Stock Vested**

The following table sets forth the number of options exercised by each of our executive officers in 2018 and stock awards that vested in 2018.

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise (#)	on Exercise (\$)	Acquired on Vesting (#)	on Vesting (\$)
Paul M. Flynn (a)(b)	-	-	25,000	369
Rose M. Sparks (c)	5,000	28	-	-

The company issued restricted stock award to Mr. Flynn on September 2, 2014. 20% of the 125,000 shares (a) awarded to Mr. Flynn vested immediately, with the remaining 100,000 shares vesting equally over four years. The total expense for the reward was \$2,136, with 20% recognized immediately.

(b) Pursuant to Mr. Flynn's restricted stock award, 25,000 shares vested in 2018. In 2018, 7,531 shares were withheld in payment of tax liability.

The Company issued stock options to Ms. Sparks on December 2, 2014. The stock options vested in 2017. On (c) September 17, 2018, the options were exercised on a cashless basis with 3,841 shares withheld in payment of tax liability.

**Potential Payments upon Termination or Change in Control***Employment Agreement with Paul M. Flynn*

Paul M. Flynn, FutureFuel Chemical Company's executive vice president of business and marketing is party to an Employment Agreement dated July 2, 2014, which provides that Mr. Flynn would be entitled to certain payments or benefits, as applicable, upon the occurrence of a triggering event. The receipt of each of these payments or benefits is contingent upon Mr. Flynn executing and delivering to the Company a general release.

Upon a termination of Mr. Flynn's employment by Mr. Flynn for good reason, as defined in the employment agreement, Mr. Flynn would be entitled to (i) payment of his base salary for a period of six months and (ii) to the extent eligible, reimbursement of COBRA premiums for a period of six months. Had such a termination occurred on December 31, 2018, Mr. Flynn would have received \$113 as payment of his base salary for a period of six months, and \$6 as reimbursement for COBRA premiums for a period of six months.

Upon the Company's voluntary termination of Mr. Flynn's employment, as defined in the employment agreement, Mr. Flynn would be entitled to (i) payment of his base salary for a period of six months and (ii) to the extent eligible, reimbursement of COBRA premiums for a period of six months. Had such a termination occurred on December 31, 2018, Mr. Flynn would have been able to receive \$113 as payment of his base salary for a period of six months, and \$6 as reimbursement for COBRA premiums for a period of six months.



Table of Contents**Compensation of Directors**

Our directors receive an annual stipend of \$30, but prorated if their service was less than the full year. Committee heads receive an additional \$10 on an annual basis, again prorated if serving as committee chairman for less than the full year. The compensation committee approved payment to our directors of \$2 for each board and committee meeting attended in person and \$1 for each board and committee meeting attended telephonically. During 2018, the compensation committee reviewed and approved this fee schedule as reasonable and appropriate compensation to our directors and determined to use the same fee structure for 2019. In November 2018, an additional stipend of \$20 was approved and paid to our directors in December 2018.

The following is the compensation our directors earned for 2018.

<b>Director</b>	<b>Fees</b>		<b>Option Awards</b>	<b>Non-Equity Incentive Plan Compensation</b>	<b>Change in Pension Value</b>	<b>All Other Compensation</b>	<b>Total</b>
	<b>Earned or Paid in Cash</b>	<b>Stock Awards</b>			<b>and Non-Qualified Deferred Compensation Earnings</b>		
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Paul A. Novelly	0	0	0	0	0	0	0
Edwin A. Levy	66	0	0	0	0	0	66
Donald C. Bedell	68	0	0	0	0	0	68
Paul M. Manheim	68	0	0	0	0	0	68
Dale E. Cole	56	0	0	0	0	0	56
Terrance C.Z. Egger	54	0	0	0	0	0	54
Jeffrey L. Schwartz	54	0	0	0	0	0	54
Alain Louvel	18	0	36	0	0	0	54

Table of Contents

The following table sets forth information concerning unexercised options, stock awards that have not vested, and equity incentive plan awards as of December 31, 2018 with respect to our directors.

Name	Option Awards			Stock Awards						
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares or Units of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)	
Dale E. Cole (a)	10,000	0	0	13.99	12/18/20	0	0	0	0	
Terrance C.Z. Egger(a)	10,000	0	0	13.99	12/18/20	0	0	0	0	
Jeffrey L. Schwartz (a)	10,000	0	0	13.99	12/18/20	0	0	0	0	
Alain Louvel (a)	10,000	0	0	16.21	10/24/23	0	0	0	0	

(a) In December 2015 and October 2018, we granted a total of 30,000 and 10,000, respectively, stock options to our new board members. The options awarded have an exercise price equal to the mean between the highest and lowest quoted sales prices for FutureFuel’s common stock as of the grant date as reported by the New York Stock Exchange. The options awarded vested immediately and expire on December 18, 2020 and October 24, 2023, respectively. Please see Note 13 to our consolidated financial statements for a discussion of the company’s

plan-based awards.

## **Pay Ratio Disclosure**

This section provides the annual ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer ("PEO"). The Company's principal executive officer ("PEO") is Mr. Paul A. Novelly. The purpose of this disclosure is to provide a measure of the equitability of pay within the organization. The Company believes its compensation philosophy and process yield an equitable result.

Median Employee total annual compensation \$ 64,289

Mr. Paul A. Novelly ("PEO") total annual compensation \$ 0

Ratio of PEO to Median Employee Compensation - N/A

In determining the median employee, a listing was prepared of all employees as of December 31, 2018. Employees' actual gross wages and salaries were used for the full year of 2018. The median amount was selected from the list. For simplicity, the value of the Company's 401(k) plan and medical benefits provided was excluded. As of December 31, 2018, the Company employed 548 persons of which 378 were in an operations role.

## **Compensation Committee Interlocks and Insider Participation**

The members of our compensation committee during 2018 were Donald C. Bedell, Terrance C.Z. Egger, and Edwin A. Levy. The committee was chaired by Mr. Bedell. None of such individuals are or have been an officer or employee of the Company, nor did we enter into any transactions with such individuals during 2018 (other than the payment of directors' fees and other compensation, as noted above, solely in their capacity as directors).

Mr. Novelly, Mr. Levy (one of our directors and a member of our compensation committee), Mr. Bedell (one of our directors and the chair of our compensation committee), and Mr. Manheim (one of our directors and the chair of the audit committee) are directors of World Point Terminals, Inc., a Delaware company based in Missouri that, through its operating subsidiaries, owns and operates petroleum storage facilities in the United States. World Point Terminals, Inc. does not have a separate compensation committee.



Table of Contents

**Compensation Committee Report**

The compensation committee of our board has reviewed and discussed the Compensation Discussion and Analysis set forth above with our management. Based on this review and discussions, the compensation committee recommended to our board of directors that the Compensation Discussion and Analysis be included in this annual report on Form 10-K.

Donald C. Bedell (chair), Terrance C.Z. Egger, and Edwin A. Levy

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.****Securities Authorized for Issuance Under Equity Compensation Plans**

Our board of directors adopted an omnibus incentive plan which was approved by our shareholders at our 2017 annual shareholder meeting on September 7, 2017 (the “Incentive Plan”). We do not have any other equity compensation plans or individual equity compensation arrangement. Under the Incentive Plan, awards are limited to 10% of the issued and outstanding shares of our common stock in the aggregate. The shares to be issued under the Incentive Plan were registered with the SEC on a Form S-8 filed on November 9, 2017. Through December 31, 2018, we issued 10,000 options to purchase shares of our common stock and awarded no shares to participants under the Incentive Plan. The following additional information regarding the Incentive Plan is plan is as of December 31, 2018.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	40,000(*)	\$ 14.55(*)	4,364,167

(\*) Includes 30,000 granted pursuant to a prior separate omnibus incentive plan (the “Prior Plan”), which was adopted by our shareholders at our 2007 annual shareholder meeting on June 26, 2007. The shares to be issued under the Prior Plan were registered with the SEC on a Form S-8 filed on April 29, 2008. The Prior Plan expired on June 26, 2017. Under the Prior Plan, we were authorized to issue 2,670,000 shares of our common stock. Through the expiration of the Prior Plan, we issued options to purchase 1,060,500 shares of our common stock and awarded an additional 414,800 shares to participants under the Prior Plan. No further awards will be granted under the Prior Plan.

**Security Ownership of Certain Beneficial Owners**

Edgar Filing: FutureFuel Corp. - Form 10-K

As of the date of this report, 43,743,243 shares of our common stock are issued and outstanding, and we have no other securities issued and outstanding. The shares of common stock are our only voting securities issued and outstanding. The following table sets forth the number and percentage of shares of common stock owned by all persons known by us to be the beneficial owners of more than 5% of shares of our common stock as of March 15, 2019.

<b><u>Name and Address of Beneficial Owner</u></b>	<b>Amount of Beneficial Ownership</b>	<b>Percent of Common Stock</b>	
Paul A. Novelly, 8235 Forsyth Blvd., 4th Floor, Clayton, MO 63105 (a)	17,725,100	40.5	%

Includes 17,078,450 shares of common stock held by St. Albans Global Management, Limited Partnership, LLLP, 375,000 shares of common stock held by Apex Holding Co., and 271,650 shares of common stock held by Mr. (a)Novelly personally. Mr. Novelly is the chief executive officer of both named entities and thereby has voting and investment power over such shares, but he disclaims beneficial ownership except to the extent of a minor pecuniary interest.

Table of Contents**Security Ownership of Management**

The following table sets forth information regarding the beneficial ownership of our common stock as of the date of this report by each of our directors and executive officers and the executive officers of FutureFuel Chemical Company. Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all shares of common stock beneficially owned by them and none of such shares have been pledged as security.

<b>Name of Beneficial Owner</b>	<b>Amount of Beneficial Ownership</b>	<b>Percent of Common Stock</b>	
Paul A. Novelty (a)	17,725,100	40.5	%
Edwin A. Levy (b)	280,725	*	
Paul M. Flynn	44,168	*	
Donald C. Bedell (c)	58,650	*	
Rose M. Sparks	14,283	*	
Paul M. Manheim	13,103	*	
Terrance C.Z. Egger	2,000	*	
Dale E. Cole	350	*	
Jeffrey L. Schwartz	-	*	
Tom McKinlay	-	*	
All directors and executive officers	18,138,379	41.5	%

Includes 17,078,450 shares of common stock held by St. Albans Global Management, Limited Partnership, LLLP, 375,000 shares of common stock held by Apex Holding Co., and 271,650 shares of common stock held by Mr.

(a) Novelty personally. Mr. Novelty is the chief executive officer of both named entities and thereby has voting and investment power over such shares, but he disclaims beneficial ownership except to the extent of a minor pecuniary interest.

Does not include 1,275 shares of our common stock owned by The Edwin A. Levy Charitable Foundation, Inc., a

(b) New York not-for-profit corporation as to which Mr. Levy is a founder and director but not a beneficiary. Mr. Levy disclaims beneficial ownership of shares owned by the Foundation.

(c) Includes 2,400 shares of common stock owned by the Alexandra Nicole Bedell Trust, a trust established by Mr. Bedell for his granddaughter as to which Mr. Bedell serves as trustee but holds no pecuniary interest. Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust. Includes 2,453 shares of common stock owned by the Ashlyn Tate Bedell Trust, a trust established by Mr. Bedell for his granddaughter as to which Mr. Bedell serves as trustee but holds no pecuniary interest. Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust. Includes 2,400 shares of common stock owned by the Hailey



Bedell Trust, a trust established by Mr. Bedell for his granddaughter as to which Mr. Bedell serves as trustee but holds no pecuniary interest Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust. Includes 51,197 shares of our common stock held by the Africa Exempt Trust, of which Mr. Bedell is a beneficiary. Includes 200 shares of common stock owned by the Charlie Cash Bedell Trust, a trust established by Mr. Bedell for his grandson as to which Mr. Bedell serves as trustee but holds no pecuniary interest Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust.

### **Founding Shares Owned by the Founding Shareholders**

Prior to our July 2006 offering, there were 5,625,000 shares of our common stock (our founding shares) issued to our founding shareholders.

### **Change in Control**

We are not aware of any arrangement the operation of which may at a date subsequent to the date of this report result in a change of control of our company.

Table of Contents

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

**Transactions with Related Persons**

From time to time, we may sell to Apex Oil Company, Inc. and/or its affiliates biofuels (including biodiesel) produced by us, and Apex Oil Company, Inc. and/or its affiliates may sell to us, or we may sell to them, diesel fuel, gasoline, natural gas, and other petroleum products in our biofuels business. Such sales will be at then posted prices for comparable products plus or minus applicable geographical differentials. We also may reimburse Apex Oil Company, Inc. for certain legal, trading and administrative services. The dollar amounts of such transactions and other related party transactions are detailed in Note 19 to our consolidated financial statements included elsewhere herein.

**Review, Approval, or Ratification of Transactions with Related Persons**

Any transaction in which we (or one of our subsidiaries) are a participant, the amount involved exceeds the lesser of \$120 or 1% of our net income, total assets, or total capital, and in which any party related to us has or will have a direct or indirect material interest must be approved by a majority of the disinterested members of our board of directors as fair to us and our shareholders. This policy was adopted by our board on January 8, 2007 and amended on February 2, 2011, and can be found through the “Investor Relations - Corporate Governance” section of our website (<http://futurefuelcorporation.com/>). All of the agreements described above in this Item 13 have been approved by a majority of the disinterested members of our board of directors.

In addition, we adopted a Code of Business Conduct and Ethics which sets forth legal and ethical standards of conduct for our directors, officers, and employees and the directors, officers, and employees of our subsidiaries. This Code is designed to deter wrongdoing and to promote: (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships (ii) full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us (iii) compliance with applicable governmental laws, rules, and regulations (iv) the prompt internal reporting of violations of this Code to appropriate persons identified in this Code and (v) accountability for adherence to this Code. This Code was adopted by our board on November 30, 2005 and was amended on February 3, 2011 and January 1, 2016, is in writing, and can be found through the “Investor Relations - Corporate Governance” section of our website (<http://futurefuelcorporation.com/>). Each of the transactions described above (under the caption “Transactions with Related Persons”) was undertaken in compliance with our Code of Business Conduct and Ethics and approved by a majority of the disinterested members of our board of directors.

**Director Independence**

The SEC has promulgated Rule 10A-3, which sets forth the independence requirements for members of an audit committee. The following members of our board of directors are independent under the SEC's definitions of independence:

Edwin A. Levy

Donald C. Bedell

Paul M. Manheim

Terrance C.Z. Egger

Dale E. Cole

Jeffrey L. Schwartz

Alain J. Louvel

In addition, each member of our board of directors' compensation, audit, and nominating/corporate governance committees are comprised of directors who are independent under such definitions.

Table of Contents

**Item 14. Principal Accountant Fees and Services.**

**Audit Fees**

During fiscal 2018 and 2017, we incurred \$357 and \$280, respectively for audit and financial statement review services from RubinBrown LLP.

**Audit-Related Fees**

During fiscal 2018 and 2017, we incurred \$12 and \$12, respectively, for each year's employee benefit plan audit procedures from RubinBrown LLP.

**Tax Fees**

During fiscal 2018 and 2017, we incurred fees of \$0 and \$0, respectively, for tax compliance, tax advice and tax planning services from RubinBrown LLP.

**All Other Fees**

We did not incur any other fees for other services from RubinBrown LLP during fiscal 2018 or 2017.

**Pre-Approval Policies**

Our audit committee approves the engagement of our independent auditors prior to their rendering audit or non-audit services and sets their compensation. Pursuant to SEC regulations, our audit committee approves all fees payable to the independent auditors for all routine and non-routine services provided. Our audit committee considers and approves the budget for the annual audit and financial statement review services prior to the initiation of the work. Non-routine services in the ordinary course of business, which are not prohibited under SEC regulation, such as tax

planning, tax compliance, and other services are generally pre-approved on a case-by-case basis.

### **Percentage of Hours Expended**

N/A

### **Special Note Regarding Forward-Looking Information**

This report, and the documents incorporated by reference into this report, contains forward-looking statements. Forward-looking statements deal with our current plans, intentions, beliefs, and expectations, and statements of future economic performance. Statements containing such terms as “believe,” “do not believe,” “plan,” “expect,” “intend,” “estimate,” “anticipate,” and other phrases of similar meaning are considered to contain uncertainty and are forward-looking statements. In addition, from time to time we or our representatives have made or will make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC, or in press releases, or in oral statements made by or with the approval of one of our authorized executive officers.

104

---

Table of Contents

These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those set forth under the headings “Risk Factors” beginning at page 16 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning at page 31 and in our future filings made with the SEC. You should not place undue reliance on any forward-looking statements contained in this report which reflect our management’s opinions only as of their respective dates. Except as required by law, we undertake no obligation to revise or publicly release the results of any revisions to forward-looking statements. The risks and uncertainties described in this report and in subsequent filings with the SEC are not the only ones we face. New factors emerge from time to time, and it is not possible for us to predict which will arise. There may be additional risks not presently known to us or that we currently believe are immaterial to our business. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. If any such risks occur, our business, operating results, liquidity, and financial condition could be materially affected in an adverse manner. You should consult any additional disclosures we have made or will make in our reports to the SEC on Forms 10-K, 10-Q, and 8-K, and any amendments thereto. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

Table of Contents

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

- (a) List separately all financial statements filed as part of this report.

FutureFuel Corp.'s audited consolidated Balance Sheets as at December 31, 2018 and 2017 and the related  
1. consolidated Statements of Operations, Statements of Changes in Stockholders' Equity, and Statements of Cash  
Flows for the years ended December 31, 2018, 2017, and 2016.

- (b) Exhibits required by Item 601 of Regulation S-K.

- 3.1. Fourth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit No. 3.3.f to  
Amendment No. 2 to Form 10 filed February 29, 2008)
- 3.2. FutureFuel Corp.'s Bylaws (incorporated by reference to Exhibit No. 3.2.a to Form 10 filed April 24,  
2007)
- 4.1. Registration Rights Agreement dated July 12, 2006 among FutureFuel Corp., St. Albans Global Management,  
Limited Partnership, LLLP, Lee E. Mikles as Trustee of the Lee E. Mikles Gift Trust dated October 6, 1999, Lee  
E. Mikles as Trustee of the Lee E. Mikles Revocable Trust dated March 26, 1996, Douglas D. Himmert as  
Trustee of the Douglas D. Himmert Revocable Trust, Edwin A. Levy, Joe C. Leach, Mark R. Miller, RAS LLC,  
Edwin L. Wahl, Jeffery H. Call and Ken Fenton (incorporated by reference to Exhibit No. 4.5 to Form 10 filed  
April 24, 2007)
- 10.1. Registrar Agreement dated June 27, 2008 between FutureFuel Corp. and Computershare Investor Services  
(Channel Islands) Limited (incorporated by reference to Exhibit No. 10.2 to Form 10-K filed March 16, 2009)
- 10.2. Storage and Thruput Agreement dated November 1, 2006 between FutureFuel Chemical Company and Center  
Point Terminal Company (incorporated by reference to Exhibit No. 10. to Form 10 filed April 24, 2007)
- 10.3. Commodity Trading Advisor Agreement dated November 1, 2006 between FutureFuel Chemical Company and  
Apex Oil Company, Inc., as amended (incorporated by reference to Exhibit No. 10.5 to Form 10 filed April 24,  
2007 and Exhibit No. 10.3 to Form 10-Q filed August 10, 2015)

- 10.4. Service Agreement dated November 1, 2006 between FutureFuel Corp. and Pinnacle Consulting, Inc. (incorporated by reference to Exhibit No. 10.6 to Form 10 filed April 24, 2007)
- 10.5. Credit Agreement dated April 16, 2015 between FutureFuel Corp. and FutureFuel Chemical Company as borrowers, and certain of FutureFuel's other subsidiaries, as guarantors, and the lenders party thereto, Regions Bank as administrative agent and collateral agent, and PNC Bank, N.A., as syndication agent (incorporated by reference to Exhibit No. 20.1 to Form 10 filed May 11, 2015)
- 10.6. Pledge and Security Agreement dated April 16, 2015 between FutureFuel Corp. and its subsidiaries and Regions Bank as collateral agent (incorporated by reference to Exhibit No. 20.2 to Form 10 filed May 11, 2015)
- 10.7. Time Sharing Agreement dated April 18, 2007 between Apex Oil Company, Inc. and FutureFuel Corp. (incorporated by reference to Exhibit No. 10.15 to Form 10 filed April 24, 2007)
- 10.8. Omnibus Incentive Plan (incorporated by reference to Exhibit No. 10.16 to Amendment No. 1 to Form 10 filed June 26, 2007)
- 10.9. Assistance Agreement effective June 16, 2010 between FutureFuel Chemical Company and the U.S. Department of Energy/National Energy Technology Laboratory (portions of exhibit omitted pursuant to a request for confidential treatment) (incorporated by reference to Exhibit No. 10.15 to Form 10-K filed March 16, 2011)



Table of Contents

10.10. At-The-Market Equity Offering Sales Agreement, dated May 10, 2011, between FutureFuel Corp. and Stifel, Nicolaus & Company, Incorporated (incorporated by reference to Exhibit 1.1 to Form 8-K filed May 10, 2011)

10.11.1 Employment Agreement dated July 2, 2014 between FutureFuel Chemical Company and Paul M. Flynn (incorporated by reference to Exhibit 10.19.1 to Form 10-Q filed November 6, 2014)

10.11.2 Amendment to Employment Agreement dated July 2, 2014 between FutureFuel Chemical Company and Paul M. Flynn (incorporated by reference to Exhibit 10.19.2 to Form 10-Q filed November 6, 2014)

10.11.3 Omnibus Incentive Plan (incorporated by reference to Appendix A to Schedule 14A filed July 26, 2017)

11. Statement re Computation of per Share Earnings

14. Code of Business Conduct and Ethics (incorporated by reference to Exhibit No. 14 to Form 10-K filed March 16, 2011)

21. Subsidiaries of FutureFuel Corp.

22. Published report regarding matters submitted to vote of security holders (incorporated by reference to Form 8-K filed July 19, 2011)

23. Consent of RubinBrown LLP

31(a). Rule 13a-15(e)/15d-15(e) Certification of chief executive officer

31(b). Rule 13a-15(e)/15d-15(e) Certification of principal financial officer

32. Section 1350 Certification of chief executive officer and principal financial officer

101 Interactive Data Files\*\*

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are deemed not filed or  
\*\* part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**Item 16. Summary**

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Company has elected not to include such summary information.

107

---

Table of Contents

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FUTUREFUEL CORP.

By: /s/ Rose M. Sparks  
Rose M. Sparks, Chief  
Financial Officer and  
Principal Financial  
Officer

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

/s/ Paul A. Novelly  
Paul A. Novelly, Chairman and Chief Executive Officer

By: /s/ Rose M. Sparks  
Rose M. Sparks, Chief  
Financial Officer and  
Principal Financial  
Officer

/s/ Edwin A. Levy  
Edwin A. Levy, Director

/s/ Donald C. Bedell  
Donald C. Bedell, Director

/s/ Paul M. Manheim  
Paul M. Manheim, Director

/s/ Dale E. Cole  
Dale E. Cole, Director

/s/ Terrance C.Z. Egger  
Terrance C.Z. Egger, Director

/s/ Jeffrey L. Schwartz  
Jeffrey L. Schwartz, Director

/s/ Alain J. Louvel  
Alain J. Louvel, Director

Date: March 15, 2019