FutureFuel Corp.
Form 10-K
March 13, 2015

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, 2014

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

For the transition period from _____ to _____

Commission file number: 0-52577

FUTUREFUEL CORP.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-3340900**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

8235 Forsyth Blvd., Suite 400

Clayton, Missouri 63105

(Address of Principal Executive Offices, including Zip Code)

(314) 854-8385

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
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

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

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

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

Large accelerated filer Accelerated filer √

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

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. $367,191,397

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date: 43,722,388

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Part I

Item 1. Business.

General Development of the Business

The Company

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

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

On February 10, 2011, we filed with the United States Securities and Exchange Commission (or "SEC") a Form S-3 Registration Statement commonly referred to as a "shelf registration" whereby we registered shares of our common stock, preferred stock, warrants, rights, and units which we might issue in the future in an aggregate amount not to exceed $50 million. This registration statement became effective on March 10, 2011. Pursuant to this registration statement, on May 11, 2011, we commenced an "At-the-Market" offering under which we could from time to time sell up to 3 million shares of our common stock. On February 6, 2013, we announced the completion of the sale of shares of our common stock under the At-the-Market offering. We sold an aggregate 3,000,000 shares in open market trading for aggregate gross proceeds of approximately $37,247,000, resulting in net proceeds of approximately $36,127,000 after deducting commissions and fees.

We distributed normal quarterly cash dividends of $0.12 per share on our common stock for the calendar year 2014. Additionally, we declared normal quarterly cash dividends of $0.06 per share on our common stock for the calendar year 2015.

FutureFuel Chemical Company

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

The majority of the revenues from the chemicals segment are derived from the custom manufacturing of specialty chemicals for specific customers. Beginning in 2011, the products manufactured for these customers faced economic headwinds as generic competition gained market share. We have actively worked to develop our chemicals business with new customers in more diversified growth markets.

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

With respect to our biofuels segment, our plant has a demonstrated capacity in excess of 58 million gallons per year. The plant ran at a reduced rate during 2014 as a result of the weakened market conditions for renewable fuel. Uncertainty remains as to whether or not we will produce biodiesel in the future, the quantity, if any, we will produce, and the profit margins we may realize. This uncertainty results from: (i) changes in feedstock prices relative to biodiesel prices; (ii) whether government mandates with respect to biodiesel usage remain in effect; and (iii) whether certain tax credits with respect to biodiesel production remain in effect and/or return. See the discussion below, including "Risk Factors" beginning at page 18 below.

Financial Information about Segments

Unless otherwise noted, the financial data presented herein represents our consolidated operations for the twelve--month periods ended December 31, 2014, December 31, 2013, and December 31, 2012. The following table sets forth: (i) our consolidated revenues from external customers for the years ended December 31, 2014, 2013, and 2012; (ii) our consolidated net income for the years ended December 31, 2014, 2013, and 2012; and (iii) our total assets at December 31, 2014, 2013, and 2012.

(Dollars in thousands)

Period	Revenues from External Customers	Net Income	Total Assets
Year ended December 31, 2014	$ 341,838	$53,200	$461,488
Year ended December 31, 2013	$ 444,919	$74,034	$414,447
Year ended December 31, 2012	$ 351,829	$34,304	$355,237

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

(Dollars in thousands)

Period	Revenues from Chemical Segment	Revenues from Biofuels Segment	Total Revenues from External Customers	Gross Margin from Chemical Segment	Gross Margin from Biofuels Segment	Gross Margin
Year ended December 31, 2014	$146,146	$195,692	$ 341,838	$ 46,062	$ 19,911	$65,973

Year ended December 31, 2013	$161,501	$283,418	$444,919	$54,708	$45,457	$100,165
Year ended December 31, 2012	$160,450	$191,379	$351,829	$48,661	$8,592	$57,253

See note 20 to our consolidated financial statements contained in "Item 8. Financial Statements and Supplementary Data" for adjustments to segment gross margins to arrive at net income.

Narrative Description of Our Business

Principal Executive Offices

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

The Company

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

For the year ended December 31, 2014, approximately 38% of our revenue was derived from manufacturing specialty chemicals for specific customers (“custom manufacturing”) with 5% of revenues being derived from multi-customer specialty chemicals (“performance chemicals”) and 57% from biofuels.

Custom manufacturing involves producing unique products for strategic customers, generally under long-term contracts. Our custom manufacturing product portfolio includes agrochemicals and intermediates, detergent additives, biocides intermediates, specialty polymers, dyes, stabilizers, and chemicals intermediates. Our performance chemicals product portfolio includes polymer modifiers that enhance stain resistance and dyeability to nylon and polyester fibers, in addition to several small-volume specialty chemicals and solvents for diverse applications.

We are committed to growing our chemical and biofuels businesses. We also 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. 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. These items are discussed in greater detail below.

Biofuels Business Segment

Overview of the Segment

Our biofuels segment was established in early 2005 as an initiative of the then site management team to leverage their plant’s technical and operational expertise as well as available manufacturing capacity to pursue business growth opportunities outside of their legacy specialty chemicals business.

Biofuel Products

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

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

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

Biodiesel Production/Capacity

Biodiesel can be made from renewable sources such as: (i) crude and refined virgin vegetable oils; (ii) crude and refined animal fats; and (iii) used cooking oils and trap grease. In general, the choice of feedstock to be used in producing biodiesel is determined primarily by the price and availability of each feedstock variety, the yield loss of lower quality feedstock, and the capabilities of the producer's biodiesel production facility. In addition, the chemical properties of the biodiesel (e.g., cloud point, pour point, and cetane number) depend on the type of feedstock. EIA, Monthly Biodiesel Production Report, http://www.eia.gov/biofuels/biodiesel/production.

In the United States, the majority of biodiesel historically has been made from domestically produced crude soybean oil due to its relatively low price. See ibid. Since we started our biodiesel production, the cost of crude soybean oil has increased due in part to its use in biodiesel production and competing food demands. As a result, the biodiesel feedstock market in the United States is in a transition from this increasingly expensive first-generation soy feedstock to alternative second-generation lower-cost, non-food feedstocks such as waste vegetable oil, tallow, and algae. See http://www.emerging-markets.com/biodiesel/index.html. Accordingly, we redesigned our continuous line to produce biodiesel from these second-generation lower-cost feedstocks with high-free fatty acids. By the end of 2014, daily production volumes from the redesigned line demonstrated a production capacity in excess of 58 million gallons of biodiesel per year.

Legislative Incentives

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

Federal Mandate

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

applicable percentage that applies to all categories of refiners, blenders, and importers. The renewable fuel obligations are based on estimates that the Energy Information Association provides to the USEPA on the volumes of gasoline it expects will be sold or introduced into commerce. The USEPA released the final rules to implement the RFS on April 10, 2007. Under those rules, the RFS compliance period began on September 1, 2007. The applicable volume of renewable fuel under this program was 4.7 billion gallons for 2007, 5.4 billion gallons for 2008, 11.1 billion gallons for 2009, and 12.95 billion gallon for 2010. No differentiation was made among the various types of renewable fuels (e.g., biodiesel or ethanol).

On December 19, 2007, the Energy Independence and Security Act of 2007 (the "2007 Act") was enacted which, among other things, expanded the RFS (the "RFS2"). Prior to the enactment of the 2007 Act, the RFS requirement was mostly filled by ethanol. In contrast to its predecessor, the 2007 Act provided a renewable fuel standard carve-out specifically applicable to biodiesel. On July 1, 2010, RFS2's biodiesel requirement became effective, thus requiring that a certain percentage of the diesel fuel consumed in the United States be made from renewable sources. The biodiesel mandate rose annually and reached 1.28 billion gallons per year in 2013. Currently, the mandate is determined by the USEPA in coordination with the U.S. Secretaries of Energy and Agriculture. No specific mandate has been set for 2014 or 2015. However, a minimum of 1.0 billion gallons is mandated per the standard per year.

The following table shows the original RFS/RFS2 requirements for the period 2006 through 2022, inclusive, for biomass-based diesel (biodiesel), cellulosic biofuel, total advanced biofuel, and total renewable fuel (including ethanol). It does not reflect any subsequent increases in annual mandated quantities.

(Gallons in billions)

Year	Advanced Biofuel Biomass-Based Diesel (biodiesel)	Cellulosic Biofuel	Total Advanced Biofuel	Total Renewable Fuel
2006	n/a	n/a	n/a	4.00
2007	n/a	n/a	n/a	4.70
2008	n/a	n/a	n/a	9.00
2009	0.50	n/a	0.60	11.10
2010	0.65	0.10	0.95	12.95
2011	0.80	0.25	1.35	13.95
2012	1.00	0.50	2.00	15.20
2013	1.00	1.00	2.75	16.55
2014	1.00	1.75	3.75	18.15
2015	1.00	3.00	5.50	20.50
2016	1.00	4.25	7.25	22.25
2017	1.00	5.50	9.00	24.00
2018	1.00	7.00	11.00	26.00
2019	1.00	8.50	13.00	28.00
2020	1.00	10.50	15.00	30.00
2021	1.00	13.50	18.00	33.00
2022	1.00	16.00	21.00	36.00

Source: www.epa.gov/OMS/renewablefuels/rfs2-4standards.pdf

The actual biomass based diesel production in the United States for the years 2005 through 2014, compared to the federal mandate for each year, is shown in the following chart.

Biomass Based Diesel Production Source: 2005 thru 2010 is reported by the National Biodiesel Board; 2011 thru 2014 is reported by the USEPA at http://www.epa.gov/otaq/fuels/rfsdata/2014emts.htm.

Biodiesel production in 2009, 2011, 2012, 2013, and 2014 exceeded the federal mandate for those years, whereas 2010 production was less than 50% of the 2010 mandate. The EPA has not set a specific mandate beyond 2013.

Other Federal Incentives

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

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

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

vehicle credit for every light-duty alternatively fueled vehicle they acquire annually beyond their base vehicle acquisition requirements. Credits can be banked or sold.

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 oil and other non-agricultural biodiesel). 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, while biodiesel made from recycled restaurant oils (yellow grease) received half of this credit. The tax incentive generally was taken by petroleum distributors and was substantially passed on to the customer. It was designed to lower the cost of biodiesel to the 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 the end of 2008 and then to December 31, 2009 through the Emergency Economic Stabilization Act of 2008. Additionally, the Emergency Economic Stabilization Act of 2008 qualified all biodiesel for a $1.00 per gallon blenders' tax credit ("BTC"), including biodiesel made from non-virgin feedstocks such as yellow grease.

The 2005 Act also created a new tax credit for small agri-biodiesel producers with production capacity not in excess of 60 million gallons of $0.10 per gallon for the first 15 million gallons of agri-biodiesel sold. See http://www.afdc.energy.gov/laws/epact_2005. The BTC expired on December 31, 2009. However, in December 2010, the credit was reinstated retroactive to January 1, 2010 and extended through December 31, 2011 by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The BTC, along with the small agri-biodiesel producers' tax credit, were further retroactively reinstated for 2012 and extended through December 31, 2013 by the American Taxpayer Relief Act of 2012, signed into law on January 3, 2013. On December 31, 2013, the BTC expired. However, on December 22, 2014, the BTC was reinstated retroactively to January 1, 2014, expired on December 31, 2014, and has not been reinstated. The small agri-biodiesel credit expired at this same time.

With the expiration of the BTC, demand for our biodiesel and the price we are able to charge for it may be significantly reduced, harming our revenues, and potentially having a material adverse effect on our biodiesel business. See "Risk Factors" beginning at page 18 below.

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

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 was enacted which, among other things, appropriated monies to support various investments and offered incentives (such as tax credits, grant programs, and other funding) for projects related to alternative fuels, energy independence, and renewable energy technologies. For example, the Department of Energy was provided with $800 million for projects related to biomass, and $2 billion was made available for grants for manufacturing advanced battery systems and electric vehicle components to support domestic manufacturing of advanced lithium ion batteries and hybrid electric systems. We were the recipient of a portion of these grants. See the discussion under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. - Department of Energy Grant" beginning at page 44 below.

State Incentives

Many states follow the federal government's lead and are offering similar programs and incentives to spur biodiesel production and use. For example, Arkansas offers a tax refund of $0.50 for each gallon of biodiesel used by a supplier to produce a biodiesel/petrodiesel mixture of not more than 2% biodiesel. In April 2007, Arkansas passed legislation that provided for a $0.20 per gallon biodiesel producer credit and up to $50,000 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 2014. However, we intend to apply for the credit in future years when and as such credit is available.

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

Summary

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

Quality

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

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

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

market has markedly improved. Our plant has operated as a BQ-9000 accredited production facility since 2006.

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

Renewable Identification Numbers

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

We generate RINs with our biodiesel. If we sell biodiesel unblended, the RIN attaches to the fuel and is sold with the biodiesel. 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 EPA 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 EPA issued the final rule. All of our 2013 and 2014 RINs were verified under the final rule and we are generating 2015 Q-RINs in accordance with the final rule. See: http://www.epa.gov/otaq/fuels/renewablefuels/qap.htm.

Byproducts

Glycerin

A byproduct of the biodiesel process is crude glycerin, which is produced at the rate of approximately 10% by mass of the quantity of biodiesel produced. Increased production of biodiesel in Brazil, Argentina, Indonesia, and Malaysia resulted in excess glycerin being produced by the biodiesel industry in 2014. The crude glycerin as generated from biodiesel production is commonly sold into the feed market for limited value, the price of which is determined by supply and corn commodity prices.

Biodiesel producers may sell their crude glycerin to large refineries for upgrading. However, because of the influx of crude glycerin into the market from biodiesel producers, such producers are receiving only a minimal value for this byproduct. Crude glycerin can be refined into a pure form and then used in the specialty chemical, agricultural chemistry, food, pharmaceutical, and/or cosmetic industries. However, because the food, pharmaceutical, and cosmetic industries require United States Pharmacopeia ("USP") grade glycerin, some biodiesel producers must seek alternative markets for its sale. Production of an industrial grade of glycerin suitable for specialty chemical or agricultural applications is less expensive than production of the USP grade required for food, pharmaceutical, and cosmetic applications. Production of an industrial grade of glycerin is a potential alternative to the costly disposal of crude glycerin or the relatively expensive certification required to produce an USP grade glycerin.

Until the middle of 2011, we primarily utilized the crude glycerin generated in our biodiesel production as a waste fuel to provide a portion of the thermal energy required to operate our plant. In mid-2011, we added the capability to

partially clean the glycerin (i.e., remove methanol) to make the glycerin suitable for use in certain industrial markets and began selling methanol free crude glycerin in mid-2011.

In 2012, the rate of methanol recovery from our glycerin increased, thereby reducing the quantities of crude glycerin burned as waste fuel or treated in our wastewater treatment facilities. In 2014, we added the capability to refine our crude glycerin to an industrial grade with higher value specialty chemical applications. We currently market crude and industrial grade glycerin pending 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. We aggregate and sell biodiesel residue to multiple customers.

Biodiesel Production Capacity

According to Biodiesel Magazine, as of February 4, 2015, there were 145 biodiesel plants in existence in the United States. These plants had a combined annual nameplate production capacity of 2,601.15 million gallons. See http://www.biodieselmagazine.com/plants/listplants/USA/. An additional 16 plants were under construction with a combined nameplate production capacity of 333 million gallons, for a total built-out capacity of 2,934.15 million gallons. See http://www.biodieselmagazine.com/plants/listplants/USA/construction/.

The majority of this nameplate production capacity was built to use higher cost crude vegetable oil, usually soybean oil, as its only feedstock. We believe many of these biodiesel plants were constructed in haste and were either poorly built, built with deficient technology, built in an area with poor logistics, or a combination of the foregoing. These factors, plus the contraction of the biodiesel industry in 2009 and 2010, caused many of these biodiesel plants to fail. We believe many of the biodiesel plants that shut down may experience difficulty in restarting production due to insufficient working capital, poor logistics that make them less competitive, and a limited ability to run lower cost feedstocks without significant capital improvements. As such, we do not believe that stated nameplate capacity of all of the biodiesel plants as set forth above is the practical production capacity in the United States, but rather we believe the practical production capacity may be substantially less than the stated nameplate 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 for transportation and home heating fuel usage. Although the regional market is still being developed, we estimate that the regional direct market available to us at maturity will be at least 30 million

gallons per year.

For the twelve months ended December 31, 2014 and 2013, one of our customers represented approximately 32% and 48% of our biofuels revenues (18% and 30% of total revenues), respectively, with the remaining biofuels revenues spread across multiple other customers. We do not have a contract with our primary customer, but rather sell on the basis of monthly or short-term, multi-month purchase orders placed with us by this customer at prices based upon then-prevailing market rates. We do not believe that the loss of this customer would have a material adverse effect on our biofuels segment or on us as a whole in that: (i) biodiesel is a commodity with a large potential customer base; (ii) we believe that we could readily sell our biodiesel to other customers; and (iii) the prices we receive from this customer are based upon then-market rates.

Competition

We compete with other producers of biodiesel, both locally, regionally, and nationally. The principal methods of competition in the biodiesel industry are price, supply reliability, biodiesel quality, and RIN integrity, i.e., the degree of confidence the market maintains in the validity of a biodiesel producer's RINs. The largest producers in terms of production capacity of biodiesel in the United States in 2014 were RBF Port Neches LLC, Imperium Grays Harbor, Green Earth Fuels of Houston LLC, Louis Dreyfus Agricultural Industries LLC, Archer Daniels Midland Co. - Velva, Delta BioFuels Inc., Elevance Natchez Inc., FutureFuel Chemical Company, Ag Processing Inc., and Cincinnati Renewable Fuels LLC. See http://www.biodieselmagazine.com/plants/listplants/USA/. Additionally, we compete with numerous other smaller producers, including one biodiesel plant in the state of Arkansas and several operating facilities in surrounding states.

In addition to biodiesel producers, we compete with new technologies that are being developed as alternatives to biodiesel. For example, the University of Exeter announced that it is producing renewable diesel fuel using genetically engineered E. Coli.
See http://www.sciencedaily.com/releases/2013/04/130422154911.htm and http://www.scientificamerican.com/article/gut-mic
Solazyme is utilizing microalgae to produce both biodiesel, renewable diesel, and jet fuel.
See http://solazyme.com/solutions/fuel/?lang=en Honeywell UOP, a major supplier to the petrochemical refining industry, has also reported the development of technology for the conversion of natural oils and wastes to green diesel, and for producing renewable jet fuel from natural feedstocks.
See http://www.uop.com/processing-solutions/biofuels/green-diesel/ and http://ekaellc.com/renewabledieselproject.

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

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

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

Supply and Distribution

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

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

Cyclicality 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, like Illinois, throughout the year.

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

Outlook for the Biodiesel Industry/Our Future Strategy

Prior to 2009, the biodiesel industry had enjoyed significant growth. However, producers who manufacture biodiesel solely from soybean oil have seen their feedstock costs rise dramatically since 2006 as discussed above. As the relative cost of biodiesel increased due to rising prices of feedstocks (and other production related costs), and the BTC terminated at the end of 2009 (with uncertainty at the time about its reinstatement), the production of biodiesel in the United States decreased in 2009 and 2010, also as discussed above. Biodiesel production increased again in 2011 with the reinstatement of the BTC. The BTC expired again at the end of 2011, but was reinstated retroactively for 2012 and extended through December 31, 2013 in January of 2013. The BTC was reinstated on December 22, 2014 and made retroactive to January 1, 2014, expired December 31, 2014 and has not been reinstated. Given the uncertainty surrounding the BTC and the high cost of soybean oil, researchers generally agree that producers who manufacture biodiesel solely from soybean oil have been adversely affected and that the U.S. biodiesel market will transition to larger plants, alternative feedstocks and second generation technologies, resulting in a consolidation among smaller, first-generation producers accompanied by a series of mergers and acquisitions in the field. We believe that producers who are proactive in responding to these changes can 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. For example, in 2009, we commercialized two bio-based solvents: FUTURESOL MME and FUTURESOL Glysol, which we are marketing. In addition, we redesigned our continuous line to produce biodiesel from lower cost feedstock with high free fatty acids. Debottlenecking has increased the annual capacity to in excess of 58 million gallons per year. Projects are currently in progress to further debottleneck the plant to run at higher rates.

Notwithstanding our future strategy, our continued production of biodiesel may be severely limited or eliminated entirely in the event Congress eliminates the federal mandate of the RFS2. See “Risk Factors” beginning at page 19 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, and process scale up and improvement. Our custom products are manufactured by continuous production, dedicated batch or general purpose batch mode depending on the volumes required. FutureFuel is 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. Historically, we have generally produced two significant products, or product families, within this particular portfolio. One of these products is our bleach activator product, which is produced for a major detergent and consumer products manufacturer. The other of these was a proprietary herbicide and associated intermediates we produced for a former long-term customer. We ceased production for this legacy customer in 2014 and began the process of transitioning the equipment used for the production of the proprietary herbicide and intermediates into use for a different customer desiring a different proprietary herbicide. Our custom manufacturing business has grown with new customers in new markets, resulting in the customer for the bleach activator product and the legacy proprietary herbicide customer playing a less significant role in our custom manufacturing portfolio.

Performance chemicals comprise multi-customer products which are sold based upon specification and/or performance in the end-use application. This portfolio includes a family of polymer (nylon and polyester) modifiers and several small-volume specialty chemicals and solvents for diverse applications. In addition, we have recently been successful in growing our performance chemical business through new product development. New products include a family of acetal based solvents, including diethoxymethane, dimethoxymethane, dibutoxymethane, glycerol formal, and phenol sulfonic acid. In 2014, we added the capability to refine our crude glycerin to an industrial grade of glycerin that will have 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, and capacity utilization 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. These products are generally non-cyclical; however, in the case of our custom manufacturing business, the customers are often the “brand owners” and therefore control factors related to demand, such as market development strategy. In many cases, we may be unable to increase or maintain our level of sales revenue for these products.

Presently, all sales of the bleach activator are made to The Procter & Gamble Company (“P&G”) pursuant to a multi-year supply agreement which expires at the end of 2016 unless terminated earlier in accordance with the provisions of the agreement. Sales of the bleach activator totaled $43,927,000, $56,596,000, and $60,710,000 for the years ended December 31, 2014, 2013, and 2012, respectively. This supply agreement allows us to sell certain formulations of the bleach activator to third parties as a performance chemical. Demand for the bleach activator has decreased in recent years. We continue to work collaboratively with our customer to assess their future demand which may continue to decline.

Sales of a proprietary herbicide and certain other intermediates used in the production of this herbicide were made to Arysta LifeScience North America Corporation. Sales of this herbicide and its intermediates totaled less than 10% of

our revenues in 2012, 2013, and 2014. Production was discontinued in 2014 and we have modified these assets to produce a different herbicide intermediate for another major life sciences company. 2014 was a transition year for this product and we reconfigured multiple production assets to ramp up full production rates of this new chemistry.

None of our other chemical customers represented 10% or more of our 2014 consolidated sales revenues.

Competition

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

Supply and Distribution

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

Cyclicality and Seasonality

Our chemical products typically are not cyclical but they are sensitive to global economic conditions. Supply and demand dynamics determine profitability at different stages of cycles and global economic conditions affect the length of each cycle. Despite some sensitivity to global economic conditions, many of the products in the chemical segment provide a stable foundation of earnings.

Backlog

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

Intellectual Property

We consider our intellectual property portfolio to be a valuable corporate asset which we intend to expand and protect globally through a combination of trade secrets, confidentiality and non-disclosure agreements, patents, trademarks and copyrights. As a producer of a broad and diverse portfolio of chemicals, our intellectual property relates to a wide variety of products and processes acquired through the development and manufacture of over 300 specialty chemicals during the history of the site. Our primary strategy regarding our intellectual property portfolio will be to appropriately protect all innovations and know-how in order to provide our business segments with a technology-based competitive advantage wherever possible. In the chemicals business segment, custom manufacturing projects are primarily conducted within the framework of confidentiality agreements with each customer to ensure that intellectual property rights are defined and protected. In the biofuels business segment, innovations and process know-how will be vigorously protected as appropriate. In 2014 we continued to actively seek patents for our performance chemicals business in the United States, Canada, Mexico, the European Union, and Japan.

We were awarded several patents, including our first European Union patent.

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, 2014, 2013, and 2012 were $3,168,000, $3,444,000, and $3,444,000, respectively. Substantially all of such research and development expense are related to the development of new products, services, and processes or the improvement of existing products, services, and processes.

Environmental Matters

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

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

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

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

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

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

The federal Oil Pollution Act of 1990 (or OPA) and regulations 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. OPA limits liability for onshore facilities to $350 million. These liability limits may not apply if a spill is caused by a party's gross negligence or willful misconduct, the spill resulted from violation of a federal safety, construction, or operating regulation, or if a party fails to report a spill or to cooperate fully in a clean-up. Failure to comply with OPA's requirements may subject a responsible party to civil, criminal, or administrative enforcement actions.

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

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

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

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

We establish reserves for closure/post-closure costs associated with the environmental and other assets we maintain. Environmental assets include waste management units such as chemical waste destructors, landfills, storage tanks, and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on the expected life of the environmental assets, the applicable regulatory closure requirements, and our environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. Currently, we estimate the useful life of each individual asset up to 35 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 $10,007,000, $9,798,000, and $9,759,000 for the years ended December 31, 2014, 2013, and 2012, respectively. These amounts pertain primarily to operating costs associated with environmental protection equipment and facilities, but also include expenditures for construction and development. While we do not expect future environmental capital expenditures arising from requirements of environmental laws and regulations to materially increase our planned level of annual capital expenditures for environmental control facilities, we can give no assurances that such requirements will not materialize in the future.

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

Management Team and Workforce

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

Our Batesville workforce comprises approximately 500 full-time employees, and includes degreed professionals including chemists (some with PhDs) and engineers (including licensed professional electrical, mechanical, and chemical engineers). Operations personnel have received extensive training and are highly skilled. Additionally, all site manufacturing and infrastructure is fully automated and computer-controlled. Due to the lack of locally-available process industry infrastructure, the workforce is substantially self-sufficient in the range of required operational skills and experience. Voluntary attrition at the site has averaged 3.1% annually since 2007. We believe that we have good relations with our employees.

Financial Information about Geographic Areas

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

(Dollars in thousands)

Period	United States	All Foreign Countries	Total
Year ended December 31, 2014	$334,210	$ 7,628	$341,838
Year ended December 31, 2013	$430,096	$ 14,823	$444,919

Year ended December 31, 2012	$338,307	$ 13,522	$351,829

For the years ended December 31, 2014, 2013, and 2012, revenues from Mexico accounted for 1%, 3%, and 3%, respectively, of total revenues. Other than Mexico, revenues from a single foreign country during 2014, 2013, and 2012 did not exceed 1% of our total revenues.

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

Available Information

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

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

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

Item 1A. Risk Factors.

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

Risks Associated With Our Business Activities

The federal excise tax credit for biodiesel expired on December 31, 2014 and Congress has not enacted legislation to extend this credit. If the credit is not renewed, our cost of producing biodiesel will be increased or our selling price could decrease, which could have an adverse effect on our financial position.

In October 2004, Congress passed a biodiesel tax incentive, structured as a federal excise tax credit, as part of the American Jobs Creation Act of 2004. The credit amounted to one cent for each percentage point of vegetable oil or animal fat biodiesel that was blended with petrodiesel (and one-half cent for each percentage point of recycled oils and other non-agricultural biodiesel, subsequently amended and increased to one cent). For example, blenders that blended B20 made from soy, canola, and other vegetable oils and animal fats received a $0.20 per gallon excise tax credit. The tax incentive generally was taken by petroleum distributors and was passed on to the consumer. It was designed to lower the cost of biodiesel to consumers in both taxable and tax-exempt markets. The tax credit was scheduled to expire at the end of 2006, but was extended in the Energy Policy Act of 2005 to December 31, 2008. The Emergency Economic Stabilization Act of 2008 extended the biodiesel tax credit through December 31, 2009 and qualified all biodiesel for a BTC, including biodiesel made from non-virgin feedstocks such as yellow grease. Most recently, the biodiesel tax credit was reinstated to January 1, 2014 and expired on December 31, 2014. No reinstatement of the credit has been made to date.

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

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

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

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

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

As of this filing, the EPA has not finalized the 2014 or 2015 mandates.

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 expected commodity-based nature of many of our products, will be our ability to manage expenses successfully, which requires continuous management focus on reducing unit costs and improving efficiency. No assurances can be given that we will be able to successfully manage such expenses.

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

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

The total production capacity and that currently under construction is well in excess of the current 1.28 billion gallons per year RFS2 mandate for 2014. The excess of production capacity over the 2014 mandate could result in a decline in biodiesel prices and profitability, negatively impacting our ability to maintain the profitability of our biofuels segment and recover capital expenditures in this business segment.

We are reliant upon a relatively small number of customers.

All sales of the bleach activator are made to The Procter & Gamble Company and totaled $43,927,000, $56,596,000, and $60,710,000 for the years ended December 31, 2014, 2013, and 2012, respectively. This customer represented approximately 13% of our revenues for the year ended December 31, 2014. The loss of this company as a customer may have a material adverse effect on us.

On August 28, 2012, we signed an amendment to our existing agreement with the customer. Among other things, the amendment: (i) extended the term of the agreement to December 31, 2016 (unless terminated earlier in accordance with the provisions of the agreement), and (ii) allows us to sell certain formulations of the bleach activator to third parties as a performance chemical. Revenues from the bleach activator decreased 22% in the year ended December 31, 2014 compared to the year ended December 31, 2013. We continue to work collaboratively with The Procter & Gamble Company to assess their future demand, which demand may continue to decline.

Additionally, sales of biodiesel to one customer represented approximately 32% of our biofuels revenues (18% of total revenues) for the year ended December 31, 2014 as compared to 48% (30% of total revenues) for the year ended December 31, 2013. We do not have a contract with this customer, but rather sell on the basis of monthly or

short-term, multi-month purchase orders placed with us by this customer at prices based upon then-prevailing market rates.

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 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, as appropriate, to mitigate short-term market fluctuations in raw material supply and costs. There can be no assurance, however, that such measures will result in cost savings or supply stability or that all market fluctuation exposure will be eliminated. In addition, natural disasters, changes in laws or regulations, war or other outbreak of hostilities, or other political factors in any of the countries or regions in which we operate or do business, or in countries or regions that are key suppliers of strategic raw materials, could affect availability and costs of raw materials.

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

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

In March 2009, as a response to the federal BTC, the European Commission imposed anti-dumping and anti-subsidy tariffs on biodiesel produced in the United States. These tariffs have effectively eliminated European demand for B20 or higher blends imported from the United States. The European Commission extended these tariffs through 2014. In May 2011, the European Commission imposed similar anti-dumping and countervailing duties on biodiesel blends below B20. These duties significantly increase the price at which we and other United States biodiesel producers will be able to sell such biodiesel blends in European markets, making it difficult or impossible to compete in the European biodiesel market. These anti-dumping and countervailing duties therefore decrease the demand for biodiesel produced in the United States and increase the supply of biodiesel available in the United States market. Such market dynamics may negatively impact our revenues and profitability.

Changes in technology may render our products or services obsolete.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have entered into a $50 million revolving credit facility with a commercial bank. Although as of the date of this report we have no outstanding borrowings under this facility, when we do borrow the restrictions governing this indebtedness (such as total debt to EBITDA limitations) could reduce our ability to incur additional indebtedness, engage in certain transactions, or capitalize on acquisition or other business opportunities.

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

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

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

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

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

In addition, we may not realize all of the anticipated benefits from future acquisitions, such as increased earnings, cost savings, and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher and unexpected acquisition and operating costs, unknown liabilities, and fluctuations in markets. If benefits from future acquisitions do not meet the expectations of financial or industry analysts, the market price of our shares

of common stock may decline.

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

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

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

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. The process of maintaining our internal controls may be expensive and time consuming and may require significant attention from management. Although we have concluded as of December 31, 2014 that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm discover a material weakness, the disclosure of that fact could harm the value of our stock and our business.

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

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

Moreover, we cannot assure you 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 you 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 you 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.

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

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

Many biodiesel plants in the United States do not currently operate, and of those that do, many do not operate at full capacity. Further, plants under construction and expansion in the United States as of December 2014, if completed, would add additional biodiesel production capacity. The annual production capacity of existing plants and plants under construction far exceeds both historic consumption of biodiesel in the United States and required consumption under RFS2. If this excess production capacity was utilized for biodiesel production, it would increase competition for our feedstocks, increase the volume of biodiesel on the market, and may reduce biodiesel gross margins, harming our revenues and profitability.

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

Some people believe that biodiesel may increase the cost of food, as some feedstocks such as soybean oil used to make biodiesel can also be used for food products. This debate is often referred to as "food vs. fuel." 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.

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

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

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

Growth in the biodiesel industry depends on substantial development of infrastructure for the distribution of biodiesel. Substantial investment required for these infrastructure changes and expansions may not be made on a timely basis or

at all. The scope and timing of any infrastructure expansion are generally beyond our control. Also, we compete with other biofuel companies for access to some of the key infrastructure components such as pipeline and terminal capacity. As a result, increased production of biodiesel or other biofuels will increase the demand and competition for necessary infrastructure. Any delay or failure in expanding distribution infrastructure could hurt the demand for or prices of biodiesel, impede delivery of our biodiesel, and impose additional costs, each of which would have a material adverse effect on our results of operations and financial condition. Our business will be dependent on the continuing availability of infrastructure for the distribution of increasing volumes of biodiesel and any infrastructure disruptions could materially harm our business.

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

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

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

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

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

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

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

Risks Associated With Owning Our Shares

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

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

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

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

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, 43,722,388 shares of our common stock currently are outstanding. The issuance of any additional shares of our common stock or preferred stock would dilute the percentage ownership of our company held by existing stockholders.

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

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

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

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

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

The trading market for shares of our common stock will rely in part on the research and reports that equity research analysts publish about us and our business. It may be difficult for companies such as ours to attract independent equity research analysts to cover our common stock. We do not control these analysts or the content and opinions included in their reports. 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 one or more equity research analysts cease coverage of us, we could lose visibility in the market, which in turn could cause our stock price to decline.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

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

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

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

Item 3. Legal Proceedings.

We are not a party to, nor is any of our property subject to, any material pending legal proceedings, other than ordinary routine litigation incidental to our business. However, 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. However, adverse developments could negatively impact earnings or cash flows in future periods.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

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

Market Information

The high and low sales price on the NYSE for our shares of common stock for the period January 1, 2013 through December 31, 2014 are set forth in the following table.

	Shares	
Period	**High**	**Low**
January 1, 2013 - March 31, 2013	$14.08	$12.04
April 1, 2013 - June 30, 2013	$15.11	$11.69
July 1, 2013 - September 30, 2013	$18.82	$13.87
October 1, 2013 - December 31, 2013	$19.09	$14.76
January 1, 2014 - March 31, 2014	$22.25	$14.78
April 1, 2014 - June 30, 2014	$21.62	$15.79
July 1, 2014 - September 30, 2014	$17.25	$11.77
October 1, 2014 - December 31, 2014	$13.78	$10.57

As of March 1, 2015, there are 43,722,388 shares of our common stock outstanding.

Holders

The shares of our common stock were held by approximately 295 holders of record on March 10, 2015 as recorded on our transfer agents' register. However, 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. Based on such criteria, we paid special cash dividends in 2013 follows.

Per Share Amount	Record Date	Payment Date	Date of Declaration
$0.25	December 2, 2013	December 16, 2013	November 20, 2013

We declared and paid regular cash dividends for the remainder of 2013 and 2014 as follows:

Per Share Amount	Record Date	Payment Date	Date of Declaration
$0.11	March 1, 2013	March 15, 2013	November 14, 2012
$0.11	June 3, 2013	June 17, 2013	November 14, 2012
$0.11	September 3, 2013	September 17, 2013	November 14, 2012
$0.11	December 2, 2013	December 16, 2013	November 14, 2012
$0.12	March 3, 2014	March 14, 2014	November 20, 2013
$0.12	June 2, 2014	June 13, 2014	November 20, 2013
$0.12	September 2, 2014	September 12, 2014	November 20, 2013
$0.12	December 1, 2014	December 12, 2014	November 20, 2013

We have also declared dividends for 2015 as follows:

Per Share Amount	Record Date	Payment Date	Date of Declaration
$0.06	March 2, 2015	March 13, 2015	December 19, 2014
$0.06	June 1, 2015	June 12, 2015	December 19, 2014
$0.06	September 1, 2015	September 11, 2015	December 19, 2014
$0.06	December 1, 2015	December 11, 2015	December 19, 2014

No assurances can be given that we will declare or pay dividends for years after 2015.

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Securities Authorized for Issuance Under Equity Compensation Plan

Our board of directors adopted an omnibus incentive plan which was approved by our shareholders at our 2007 annual shareholder meeting on June 26, 2007. We do not have any other equity compensation plan or individual equity compensation arrangement. Under this plan, we are authorized to issue 2,670,000 shares of our common stock. The shares to be issued under the plan were registered with the SEC on a Form S-8 filed on April 29, 2008. Through December 31, 2014, we issued options to purchase 1,030,500 shares of our common stock and awarded an additional 414,800 shares to participants under the plan. The following additional information regarding this plan is as of December 31, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	240,000	$11.77	1,224,700

Performance Graph

The following graph shows changes over the 60-month period beginning January 1, 2010 through December 31, 2014 in the value of a $100 investment in: (i) our common stock; (ii) Russell 2000; and (iii) an industry group of other companies that file reports with the SEC using SIC Code 2860. The companies in this industry group are: Aemetis Inc., All Energy Corp., American Jianye Greentech Holdings Inco, Benchmark Energy Corp., Bioamber, Inc., Bluefire Renewables, Inc., Cardinal Ethanol, LLC, Celanese Corp., China Clean Energy, Inc., Clean Tech Biofuels Inco., Codexis, Inc., Easylink Solutions Corp., ESP Resources, Inc., Global Energy, Inc., Good Vibrations Shoes Inco., Granite Falls Energy, LLC, Green Energy Live, Inc., Green Energy Resources, Inc., Green Plains, Inc., Greenshift Corp., Heron Lake Bioenergy, LLC, Highwater Ethanol, LLC, Hydrophi Technologies Group, Inc., Innophos Holdings, Inc., International Flavors & Fragrances Inco., Kior, Inc., KL Energy Corp., KMG Chemicals, Inc.,

Koppers Holdings, Inc., Kreido Biofuels, Inc., Methes Energies International Limited, New America Energy Corp., Newmarket Corp., Nouveau Life Pharmaceuticals, Inc., OCI Partners, LP., Pacific Ethanol, Inc., Parabel, Inc., Rayonier Advanced Materials, Inc., Red Trail Energy, LLC, Renewable Energy Group, Inc., Rex American Resources Corp., SC Holdings Corp., Southwest Iowa, Space Propulsion Systems, Inc., Stevia First Corp., Syntec Biofuel, Inc., Westlake Chemical Partners, LP, and Zeons Corp.

Recent Sales of Securities

We did not sell any of our securities within the three-year period ended December 31, 2014 in transactions that were not registered under the Securities Act.

Purchase of Securities by Us

During 2014, neither we nor anyone acting on our behalf purchased any shares of our common stock, which is the only class of our equity securities that is registered pursuant to Section 12 of the Exchange Act.

Item 6. Selected Financial Data.

The following table sets forth summary historical financial and operating data regarding us for the periods indicated below. This summary historic financial and operating data has been derived from our consolidated financial statements for the twelve months ended December 31, 2010, 2011, 2012, 2013, and 2014. The information presented in the table below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto.

(Dollars in thousands, except per share amounts)

Item	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011	Twelve Months Ended December 31, 2010
Operating Revenues	$ 341,838	$ 444,919	$ 351,829	$ 309,885	$ 219,183
Net income	$ 53,200	$ 74,034	$ 34,304	$ 34,509	$ 23,094
Earnings per common share:					
Basic	$ 1.22	$ 1.71	$ 0.83	$ 0.85	$ 0.63
Diluted	$ 1.22	$ 1.71	$ 0.83	$ 0.84	$ 0.62
Total Assets	$ 461,488	$ 414,447	$ 355,237	$ 385,244	$ 343,156
Long-term obligations	$ 51,952	$ 45,461	$ 58,669	$ 61,207	$ 46,674
Cash dividends per common share	$ 0.48	$ 0.69	$ 1.60	$ 0.40	$ 0.80
Net cash provided by operating activities	$ 51,882	$ 62,454	$ 64,888	$ 50,429	$ 17,839
Net cash provided by (used in) investing activities	$ 6,708	$ (24,111)	$ (32,613)	$ (51,367)	$ (30,767)
Net cash provided by (used in) financing activities	$ (21,044)	$ (10,617)	$ (63,283)	$ (374)	$ 38,473

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.

In the course of preparing our Annual Report for the year ended December 31, 2014 on Form 10-K, we determined that there had been a misclassification of certain related party transactions between the Company and Apex Oil Company, Inc. ("Apex Oil") in our financial statements for the previously reported fiscal years ended December 31, 2012 and 2013, and for the previously reported quarters ended March 31, 2013 and 2014, June 30, 2013 and 2014, September 30, 2013 and 2014, and December 31, 2013 (collectively, the "Affected Financial Statements"). The misclassification related to certain diesel fuel purchases made by the Company from Apex Oil in one location.

We assessed the materiality of these items on previously issued annual and interim financial statements and we have concluded that the effect of these misstatements were not material, individually or in the aggregate, to any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. However, we have revised prior period comparative information presented herein in order to present such information on a consistent basis. The misclassification and related revisions had no impact on the total cost of goods sold, gross profits, segment gross profits, net income, or net income per share amounts for the years ended December 31, 2013 or 2012. Additionally, this reclassification did not change the balance sheet, statements of cash flow, or statements of stockholders' equity. Refer to Note 2 – "Significant accounting policies" under the section titled "Revision of Related Party Transactions Classification" in the Notes to Consolidated Financial Statements for a complete discussion regarding this revision. The following discussion and analysis has been updated to reflect this revision.

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.

Results of Operations

In General

We break our chemicals business into two main product groups: custom manufacturing and performance chemicals. Custom manufacturing consists of products made for specific customers based upon specifications provided by such

customers. Major products in the custom manufacturing group include: (i) nonanoyloxybenzene-sulfonate, a bleach activator manufactured exclusively for a customer for use in a household detergent; (ii) a proprietary herbicide (and intermediates) manufactured exclusively for a customer; (iii) chlorinated polyolefin adhesion promoters (or "CPOs") and antioxidant precursors (or "DIPB") for a customer; and (iv) a biocide intermediate for another customer. The custom manufacturing group also includes agrochemicals as well as industrial and consumer products (cosmetics and personal care products, specialty polymers, and specialty products used in the fuels industry).

Revenues generated from the bleach activator are based on a supply agreement with the customer. The supply agreement stipulates selling price per kilogram based on volume sold, with price moving up as volumes move down, and vice-versa. On August 28, 2012, we signed an amendment to our existing agreement with the bleach activator customer. Among other things, the amendment: (i) extended the term of the agreement to December 31, 2016 (unless terminated earlier in accordance with the provisions of the agreement); and (ii) allows us to sell certain formulations of the bleach activator to third parties as a performance chemical. We pay for raw materials required to produce the bleach activator. The contract with the customer provides that the price received by us for the bleach activator is indexed to changes in certain items, enabling us to pass along most inflationary increases in production costs to the customer. This customer has informed us that, due to a decline in demand for the household detergent, associated demand for the bleach activator is likely to fall. The financial impact of any future decline in demand is not known at this time.

From 1992 through the fourth quarter of 2013, we (and our predecessor at our Batesville plant) had been the primary manufacturer of a proprietary herbicide and certain intermediates for a customer (and its predecessors). As a result of generic competition from Asia and price pressure exerted by our customer, we terminated the existing contracts effective in September and October of 2013. We discontinued sales of the proprietary herbicide to the customer in 2014 and are retrofitting assets deployed to other growth opportunities. Currently, we are seeking additional customers for this product, although no assurances can be given that additional sales will be achieved.

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 the contracts on the proprietary herbicide mentioned above. The contract is effective through December 31, 2016 and has a provision for two, two-year extensions at the customer's option. No assurances can be given, however, that the agreement will be extended past 2016.

In 2008, we entered into a contract with a new customer for the toll manufacture of an industrial intermediate utilized in the antimicrobial industry. We invested approximately $10 million in capital expenditures to modify and expand our plant to produce this industrial intermediate. The customer reimbursed these expenditures, which reimbursements have been classified as deferred revenue on our balance sheet and will be earned into income over the expected life of the product. The contract stipulates a price curve based on volumes sold and has an inflationary pricing provision whereby we pass along most inflationary changes in production costs to the customer.

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.

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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. This group of products also includes other sulfonated monomers and hydrotropes, specialty solvents, polymer additives, and chemical intermediates, such as glycerin.

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

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

For our biofuels segment, we procure all of our own feedstock and only sell biodiesel for our own account. In rare instances, we purchase biodiesel from other producers for resale. We have the capability to process multiple types of feedstock including vegetable oils, animal fats, and separated food waste oils. We can receive feedstock by rail or truck, and we have substantial storage capacity to acquire feedstock at advantaged prices when market conditions permit. Our annual 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: (i) changes in feedstock prices relative to biodiesel prices; and (ii) 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 a shipper on these pipelines.

The majority of our expenses are cost of goods sold. Cost of goods sold includes raw material costs as well as both fixed and variable conversion costs, conversion costs being those expenses that are directly or indirectly related to the operation of our plant. Significant conversion costs include labor, benefits, energy, supplies, depreciation, and maintenance and repair. In addition to raw material and conversion costs, cost of goods sold includes environmental reserves and costs related to idle capacity. Finally, cost of goods sold includes hedging gains and losses recognized by

us related to our biofuels segment. Cost of goods sold is allocated to the chemicals and biofuels business segments based on equipment and resource usage for most conversion costs and based on revenues for most other costs.

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

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

Fiscal Year Ended December 31, 2014 Compared to Fiscal Year Ended December 31, 2013

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

(Dollars in thousands other than per share amounts)

	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Dollar Change	% Change
Revenues	$341,838	$444,919	$(103,081)	(23.2%)
Income from operations	$56,128	$90,254	$(34,126)	(37.8%)
Net income	$53,200	$74,034	$(20,834)	(28.1%)
Earnings per common share:				
Basic	$1.22	$1.71	$(0.49)	(28.7%)
Diluted	$1.22	$1.71	$(0.49)	(28.7%)
Capital expenditures (net of customer reimbursements and regulatory grants)	$7,002	$6,370	$632	9.9 %
Adjusted EBITDA	$43,604	$96,745	$(53,141)	(54.9%)

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, whose immediate recognition can cause net income to be volatile from period to period due to the timing of the valuation change in the derivative instruments relative to the sale of biofuel.

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

(Dollars in thousands)

	Twelve Month Ended December 31, 2014	Twelve Month Ended December 31, 2013
Adjusted EBITDA	$ 43,604	$ 96,745
Depreciation and amortization	(8,981)	(10,316)
Reimbursement to customers for BTC	(18,628)	-
Retroactive reinstatement of BTC	28,954	2,535
Non-cash stock-based compensation	(1,440)	-
Interest and dividend income	6,877	5,875
Interest expense	(25)	(24)
Loss on disposal of property and equipment	(108)	(261)
Gains on derivative instruments	12,757	1,151
Gains on marketable securities	4,335	1,646
Income tax expense	(14,145)	(23,317)
Net income	$ 53,200	$ 74,034

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

(Dollars in thousands)

	Twelve Months Ended December 31, 2014	Twelve Month Ended December 31, 2013
Adjusted EBITDA	$ 43,604	$ 96,745
Provision for (benefit from) deferred income taxes	5,388	(1,972)
Reimbursement to customers for BTC	(18,628)	-
Retroactive reinstatement of BTC	28,954	2,535
Impairment of fixed assets	247	18,102
Interest and dividend income	6,877	5,875

Income tax expense	(14,145)	(23,317)
Gains on derivative instruments	12,757	1,151
Change in fair value of derivative instruments	(396)	(617)
Changes in operating assets and liabilities, net	(12,706)	(36,048)
Net cash provided by operating activities	$ 51,952	$ 62,454

Revenues

Revenues for the year ended December 31, 2014 were $341,838,000 as compared to revenues for the year ended December 31, 2013 of $444,919,000, a decrease of 23%. Revenues from biofuels decreased 31% and accounted for 57% of total revenues in 2014 as compared to 64% in 2013. Revenues from chemicals decreased 10% and accounted for 43% of total revenues in 2014 as compared to 36% in 2013. Within the chemicals segment, revenues for 2014 changed as follows as compared to 2013: (i) revenues from the bleach activator decreased 22%; (ii) revenues from the legacy and new proprietary herbicide and intermediates increased 4%; (iii) revenues from DIPB and CPOs increased 12%; (iv) revenues from other custom products decreased 16%; and (v) revenues from proprietary chemicals increased 26%.

Revenues from the bleach activator and the legacy proprietary herbicide and intermediates are together the most significant components of our chemicals segment revenue base, accounting for 14% of total revenues for the year ended December 31, 2014 as compared to 17% for the year ended December 31, 2013. The contract with the legacy customer ceased in 2014. We are unable to predict with any certainty the revenues we will receive from the bleach activator in the future.

Revenues from CPOs and DIPB together increased 12% during 2014. The primary end market for CPOs is the automotive industry, an industry whose economic activity can vary significantly from year to year. This product line experienced a decrease in demand from 2013 to 2014. DIPB, however, experienced an increase in sales revenue from 2013 to 2014. DIPB is an intermediate in the production of hydroquinone. Our customer experienced increased sales in 2014, some of which were driven by a change in its customers' order patterns.

Revenues from other custom chemical products decreased 17% in 2014 as compared to 2013. This decrease was primarily due to products we no longer sell and reduced sales volumes for existing products. These reductions were partially offset by shortfall payments totaling $8,816,000 from a former customer that previously contracted to purchase certain minimum quantities of graphite anode material. This contract was cancelled effective August 9, 2014.

Revenues from proprietary chemicals increased 26% in 2014 as compared to 2013 and account for approximately 5% of total revenues in 2014. This increase was due in part to increased volumes from existing products and the addition of two new products.

Revenues from biofuels decreased 31% or $87,726,000 from $283,418,000 in 2013 to $195,692,000 in 2014. The expiration of the BTC on December 31, 2013 and the absence of the government mandated renewable fuel standard for biodiesel combined to weaken the economics of biodiesel in 2014. The BTC was reinstated in late December 2014 and made retroactive to January 1, 2014, but has not been extended into 2015. As a result of contractual provisions with certain customers, a share of the BTC was owed upon reinstatement of a retroactive BTC. Revenues from our biofuels have also benefited by our sales of refined petroleum products as a shipper on common carrier pipelines which totaled $40,263,000 in 2014 compared to $12,521,000 in 2013.

A portion of our biodiesel sold in 2014 was to a major refiner in the United States and no assurances can be given that we will continue to sell to such major refiner, or, if we do sell, the volume we will sell or the profit margin we will realize. We continue to expand our regional blended-fuel distribution business.

Cost of Goods Sold and Distribution

Total cost of goods sold and distribution for 2014 were $275,865,000 as compared to total cost of goods sold and distribution of $344,754,000 in 2013, a decrease of 20%, which compares to a 23% decrease in revenues for the period.

Cost of goods sold and distribution for 2014 for our chemicals segment totaled $100,084,000 as compared to cost of goods sold and distribution for 2013 of $106,793,000, a 6% reduction. This reduction in cost of goods sold and distribution was primarily due to reduced sales volumes of certain chemical products including the bleach activator and the other custom products we no longer produce. On a percentage basis, the 6% reduction in costs of goods sold and distribution in 2014 is less than the 10% decrease in chemical segment revenues as a result of (i) the change in product mix; (ii) increased fixed cost share with reduced biodiesel production; and (iii) from adjustments in our inventory carrying value as determined utilizing the LIFO method of inventory accounting.

Cost of goods sold and distribution for 2014 for our biofuel segment were $175,781,000 as compared to cost of goods sold and distribution for 2013 of $237,961,000. On a percentage basis, cost of goods sold and distribution decreased 26% versus a decrease in revenues of 31%. Despite the retroactive reinstatement of the BTC in December 2014 for the year 2014, market conditions were less favorable for biodiesel in 2014 as compared to 2013. Such market conditions were largely the result of the industry not having clarity for most of the year as to whether or not the BTC would exist in 2014. Additionally in 2014, the industry operated, and continues to operate, without a clear government mandate for renewable fuel. The BTC expired on December 31, 2014 and has not been reinstated. We recorded this credit as a reduction in cost of goods sold and distribution expense in our consolidated statement of operations. As a result of the current year reinstatement, we recognized a $28,954,000 reduction to cost of goods sold in the fourth quarter of 2014. As a result of the 2012 retroactive reinstatement, we recognized a $2,535,000 reduction to cost of goods sold in the first quarter of 2013. Furthermore, increases in cost of goods sold and distribution resulted from adjustments in our inventory carrying value as determined utilizing the LIFO method of inventory accounting. Our hedging activity helped offset the increased cost of goods sold. For 2014, our hedging gain was $12,757,000 as compared to a hedging gain for 2013 of $1,151,000. Finally, and to a lesser extent, the biodiesel segment benefited from a reduced share of plant allocated fixed costs.

Operating Expenses

Operating expenses decreased 1% from $9,911,000 in 2013 to $9,845,000 in 2014. This decrease was primarily the result of reduced travel expenses and research and development partially offset by increased compensation expense from the issuance of restricted stock awards.

Provision for Income Taxes

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

In 2013, as a result of then recently issued technical guidance from the U.S. Internal Revenue Service, FutureFuel changed its position related to the benefit from the $1 biodiesel BTC to exclude this credit from taxable income for the years 2010 through 2013. This change had a significant impact on FutureFuel's provision for income taxes in the fourth quarter of 2013. This benefit reduced FutureFuel's provision for income taxes by $11,633,000 in 2013, with $7,755,000 related to the years 2010 through 2012 and $3,878,000 related to 2013. This same treatment was followed in 2014 when the $1 biodiesel BTC was retroactively reinstated for 2014 in December of 2014. This benefit is not expected to recur in the future as the $1 biodiesel BTC expired on December 31, 2014 and has not been reinstated. FutureFuel's treatment of the $1 biodiesel BTC for income tax purposes is expected to result in refunds from the U.S. Internal Revenue Service and various state taxing authorities for a portion of the amount FutureFuel has paid for income taxes in prior years.

Income Taxes

Our liability for uncertain tax positions totaled $3,027,000 and $1,718,000 at December 31, 2014 and 2013, respectively. See Note 14 to our consolidated financial statements included herein.

Fiscal Year Ended December 31, 2013 Compared to Fiscal Year Ended December 31, 2012

Revenues

Revenues for the year ended December 31, 2013 were $444,919,000 as compared to revenues for the year ended December 31, 2012 of $351,829,000, an increase of 26%. Revenues from biofuels increased 48% and accounted for 64% of total revenues in 2013 as compared to 54% in 2012. Revenues from chemicals increased 1% and accounted for 36% of total revenues in 2013 as compared to 46% in 2012. Within the chemicals segment, revenues for 2013 changed as follows as compared to 2012: (i) revenues from the bleach activator decreased 7%; (ii) revenues from the proprietary herbicide and intermediates decreased 35%; (iii) revenues from DIPB and CPOs decreased 6%; and (iv) revenues from other custom products increased 36%.

Revenues from the bleach activator and the proprietary herbicide and intermediates were together the most significant components of our chemicals segment revenue base, accounting for 17% of total revenues for the year ended December 31, 2013 as compared to 25% for the year ended December 31, 2012. These products comprised a smaller percentage of our total revenues in 2013 as revenues from our biofuels segment assumed a larger percentage. Additionally, revenues from the bleach activator and the proprietary herbicide decreased in 2013. This decrease was attributable to reduced volumes for both products in 2013, and was partially offset by increased per unit sales prices.

Revenues from CPOs and DIPB together decreased 6% during 2013. The primary end market for CPOs is the automotive industry, an industry whose economic activity can vary significantly from year to year. This product line experienced an increase in demand from 2012 to 2013. DIPB, however, experienced a decline in sales revenue from 2012 to 2013. DIPB is an intermediate in the production of hydroquinone. Our customers experienced reduced sales in 2013, some of which were driven by a change in their customers' order patterns. We also experienced minor operational problems in the fourth quarter which reduced sales.

Revenues from other custom chemical products increased 36% in 2013 as compared to 2012. This increase was primarily due to new sales of products we periodically produce for customers, increased volume of a product we periodically produce for a customer and, to a lesser extent, the recognition of contract shortfall payments from our customer for the graphite anode material. On July 29, 2013, we received notice from our customer of the graphite anode battery material that they were terminating the contract in accordance with its terms effective August 9, 2014. Our customer remained liable for the take or pay quantity contained in our sales agreement through August 9, 2014. Also partly impacting revenue for the other custom chemical products was a reduction from two products we no longer sell.

Revenues from proprietary chemicals increased 5% in 2013 as compared to 2012 and account for approximately 3% of total revenues in 2013. This increase was due to sales of new performance chemicals, including crude glycerin and increased sales of SSIPA.

Revenues from biofuels increased from $191,379,000 in 2012 to $283,418,000 in 2013. The reinstatement of the BTC in January 2013 along with the government mandated renewable fuel standard for biodiesel combined to improve the economics of biodiesel in 2013. The BTC had expired on December 31, 2011 and was reinstated in January 2013 retroactive to January 1, 2012 and extended through December 31, 2013. Revenues from our biofuels were benefited by sales of refined petroleum products as a shipper on common carrier pipelines which totaled $12,521,000 in 2013 compared to $8,881,000 in 2012.

A substantial portion of our biodiesel sold in 2013 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 continued to expand our regional blended-fuel distribution business.

Cost of Goods Sold and Distribution

Total cost of goods sold and distribution for 2013 were $344,754,000 as compared to total cost of goods sold and distribution of $294,576,000 in 2012, an increase of 17%, which compares to a 26% increase in revenues for the period.

Cost of goods sold and distribution for 2013 for our chemicals segment totaled $106,793,000 as compared to cost of goods sold and distribution for 2012 of $111,789,000, a 4% reduction. This reduction in cost of goods sold and distribution was primarily due to reduced sales volumes of certain chemical products including the bleach activator and the proprietary herbicide. Further reductions in cost of goods sold and distribution resulted from adjustments in our inventory carrying value as determined utilizing the LIFO method of inventory accounting. On a percentage basis, the 4% reduction in costs of goods sold and distribution in 2013 as compared to 2012 was greater than the 1% increase in chemical segment revenues due to increased sales prices of certain chemical products as compensation for lower quantities of material purchased and inflationary price adjustments.

Cost of goods sold and distribution for 2013 for our biofuel segment were $237,961,000 as compared to cost of goods sold and distribution for 2012 of $182,787,000. On a percentage basis, cost of goods sold and distribution increased 30% versus an increase in revenues of 48%. Market conditions were more favorable for biodiesel in 2013 as compared to 2012 as a result of the reinstated BTC on January 3, 2013 made retroactive to January 1, 2012. We record this credit as a reduction in cost of goods sold and distribution expense in our consolidated statement of operations. As a result of the prior year reinstatement, we recognized a $2,535,000 reduction to cost of goods sold in the first quarter of 2013.

No such reduction existed for 2012. The existence of this credit was a significant factor in the profitability of biodiesel production in 2013. This credit expired at December 31, 2013. Further reductions in cost of goods sold and distribution resulted from adjustments in our inventory carrying value as determined utilizing the LIFO method of inventory accounting.

Biodiesel profitability slowed in the fourth quarter of 2013 as the biodiesel consumption mandate established by the government was largely met early in the quarter. During the fourth quarter of 2012, the government mandate had also been met, however, profitability slowed considerably more in the fourth quarter of 2012 due to the absence of the BTC.

Operating Expenses

Operating expenses decreased 13% from $11,161,000 in 2012 to $9,911,000 in 2013. This decrease was primarily the result of reduced compensation expense from reduced staffing, reduced legal expenditures associated with litigation of ongoing cases, and reduced expenditures incurred for the registration of product for sale in the European Union.

Provision for Income Taxes

The effective tax rates for the years ended December 31, 2013 and 2012 reflected our expected tax rate on reported operating earnings before income taxes.

Historically, we included the benefit from the $1 biodiesel BTC in taxable income on our federal and state income tax returns. As a result of an issued technical guidance from the U.S. Internal Revenue Service, we changed our position related to this benefit to exclude it from taxable income for the years 2010 through 2013. This change had a significant impact on our provision for income taxes in the fourth quarter of 2013. This benefit reduced our provision for income taxes by $11,633,000, with $7,755,000 related to the years 2010 through 2012, and $3,878,000 related to the current year. This benefit is not expected to recur in the future as the $1 biodiesel BTC expired on December 31, 2013 and has not been renewed. This change reduced taxable income in each year between 2010 and 2012 and also impacted fiscal 2013.

Income Taxes

Our liability for uncertain tax positions totaled $1,718,000 and $0 at December 31, 2013 and 2012, respectively. See Note 14 to our consolidated financial statements included herein.

Critical Accounting Estimates

Allowance for Doubtful Accounts

We reduce our accounts receivable by amounts that may be uncollectible in the future. This estimated allowance is based upon management’s evaluation of the collectability of individual invoices and is based upon management’s evaluation of the financial condition of our customers and historical bad debt experience. This estimate is subject to change based upon the changing financial condition of our customers. At December 31, 2014 and 2013, we recorded an allowance for doubtful accounts of $0 and $0, respectively. We historically have not experienced significant problems in collecting our receivables, and we do not expect this to change going forward.

Depreciation

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

Asset Retirement Obligations

We establish reserves for closure/post-closure costs associated with the environmental and other assets we maintain. Environmental assets include waste management units such as incinerators, landfills, storage tanks, and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on an expected life of the environmental assets, the applicable regulatory closure requirements, and our environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. The future costs anticipated to be associated with the closure of the site are based upon estimated current costs for such activities adjusted for anticipated future inflation rates. Unanticipated changes in either of these two variables or changes in the anticipated timing of closure/post-closure activities may significantly affect the established reserves. As of December 31, 2014 and December 31, 2013, we recorded a reserve for closure/post-closure liabilities of $796,000 and $771,000, respectively. We monitor this reserve and the assumptions used in its calculation. As deemed necessary, we have made changes to this reserve balance and anticipate that future changes will occur.

Revenue Recognition

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

Bill and hold transactions for 2014 related to specialty chemical customers whereby revenue was recognized in accordance with contractual agreements based upon product being produced and ready for use. These sales were subject to written monthly purchase orders with agreement that production was reasonable. The inventory was custom manufactured and stored at the customer’s request and could not be sold to another buyer. Credit and payment terms for bill and hold transactions are similar to other specialty chemical customers. Sales revenues under bill and hold arrangements totaled $31,598,000, $44,047,000, and $50,076,000 for the years ended December 31, 2014, 2013, and 2012, respectively.

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

Taxes collected from customers and remitted to governmental authorities

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

Income Taxes

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

applicable tax laws and adjust our income tax assets and liabilities as necessary.

Liquidity and Capital Resources

Our net cash provided by (used in) operating activities, investing activities, and financing activities for the years ended December 31, 2014, 2013, and 2012 are set forth in the following table.

(Dollars in thousands)

	2014	**2013**	**2012**
Net cash provided by operating activities	$51,952	$62,454	$64,888
Net cash provided by (used in) investing activities	$6,708	$(24,111)	$(32,613)
Net cash used by financing activities	$(21,044)	$(10,617)	$(63,283)

Operating Activities

Cash provided by operating activities decreased from $62,454,000 in 2013 to $51,952,000 in 2014, a net decrease of $10,502,000. This decrease was attributed to: (i) decreased cash earnings from the biofuels segment; (ii) a decrease in the adjustment to cash for the impairment of fixed assets; (iii) a decrease in cash from the change in accounts receivable; (iv) a decrease in cash from an increase in inventory; and (v) a decrease in cash from an increase in accrued expenses and other current liabilities. In 2014, there were impairments of fixed assets of $247,000. In 2013, there were impairments of $18,102,000 primarily related to the graphite anode material plant and equipment. In 2014, accounts receivable, including accounts receivable due from related parties, decreased cash provided by operating activities by $18,059,000. In 2013, accounts receivable, including accounts receivable due from related parties, decreased cash provided by operating activities by $10,467,000. This universal reduction was primarily due to the timing and amount of receipts of customer payments and the receivable for the 2014 BTC. In 2014, inventory decreased cash $3,189,000. In 2013, inventory decreased cash $172,000. In 2014, accrued expenses and other current liabilities, including accrued liabilities and other current liabilities with related parties, decreased cash $3,110,000. In 2013, accrued expenses and other current liabilities, including accrued liabilities and other current liabilities with related parties, increased cash $4,212,000.

Mostly offsetting these decreases in cash from operating activities was: (i) accounts payable, including accounts payable to related parties; (ii) deferred revenue; and (iii) income tax receivable. In 2014, accounts payable, including accounts payable to related parties, increased cash $17,514,000. In 2013, accounts payable, including accounts payable to related parties, decreased cash $692,000. In 2014, deferred revenue decreased cash $2,524,000 and in 2013, increased cash $14,734,000. This change from 2013 was primarily the result of a reduction in the deferred revenue balance as the result of the contract termination by our customer for the anode graphite material. Lastly, in 2014, income tax receivable decreased cash by $4,984,000. In 2013, an increase in cash from our income tax receivable balance combined with a decrease in our income tax payable balance in 2013 reduced cash provided by operating activities by $15,352,000.

Cash provided by operating activities decreased from $64,888,000 in 2012 to $62,454,000 in 2013, a net decrease of $2,434,000. This decrease was primarily attributed to: (i) the timing of collections of accounts receivable including those due from related parties; (ii) changes in income tax receivable and income tax payable; and (iii) deferred revenue. In 2013, accounts receivable, including accounts receivable due from related parties, decreased cash provided by operating activities by $10,467,000. In 2012, accounts receivable, including accounts receivable due from related parties, increased cash provided by operating activity by $12,895,000. This decrease was primarily due to the timing and amount of receipts of customer payments. Additionally, an increase in our income taxes receivable balance combined with the decrease in our income taxes payable reduced cash provided by operating activities by $15,352,000 in 2013. In 2012, income taxes payable reduced cash provided by operating activities by $503,000. This change was largely the result of changing our position with respect to the inclusion of the benefit from the $1 biodiesel BTC in taxable income. Historically, we included the benefit in taxable income on our federal and state income tax returns. We changed our position in the fourth quarter of 2013 for tax years 2010 through the current year. The anticipated amendments to the income tax returns have given rise to an increased income tax receivable. Lastly, deferred revenue decreased cash provided by operating activities by $14,734,000. In 2012, deferred revenue increased cash provided by operating activities by $941,000. This change is primarily the result of our graphite anode material customer notifying us that they were terminating our contract effective August 9, 2014. We assessed the carrying value of our fixed assets and deferred revenue associated with this product and recorded an impairment loss on the fixed assets and a reduction in the deferred revenue balance.

Mostly offsetting these reductions in cash from operating activities was: (i) accounts payable, including accounts payable to related parties; (ii) accrued expenses and other current liabilities, including accrued expenses and other current liabilities for related parties; and (iii) impairment of fixed assets. In 2013, accounts payable, including accounts payable to related parties, decreased cash provided by operating activities by $692,000. In 2012, accounts payable, including accounts payable to related parties, decreased cash provided by operating activities by $5,212,000. This change was primarily attributable to differences in the timing and amount of payments to suppliers. In 2013, accrued expenses and other current liabilities, including accrued expenses and other current liabilities for related parties increased cash provided by operating activities by $4,212,000. In 2012, accrued expenses and other current liabilities, including related parties increased cash provided by operating activities by $325,000. This change is a result of the timing and amount of services provided and not yet invoiced. In 2012, there were no impairments of fixed assets that required an adjustment to net income from cash from operating activities. In 2013, there were impairments of $18,102,000 primarily related to the graphite anode material plant and equipment.

Investing Activities

Cash from investing activities increased from a $24,111,000 use of cash in 2013 to $6,708,000 of cash from investing activities in 2014. This increase was primarily attributable to an increase in the net proceeds from the sale of marketable securities in 2014 compared to 2013. Such purchases totaled a net $8,150,000 in 2013, as compared to total net proceeds of $15,729,000 in 2014. In addition, cash used for capital expenditures declined from $18,542,000 in 2013 to $8,117,000 in 2014. This decrease was attributable to certain larger capital projects undertaken on behalf of certain of our customers being completed in 2013. Our capital expenditures and customer reimbursements are summarized in the table below.

(Dollars in thousands)

	2014	2013
Cash paid for capital expenditures	$8,117	$18,542
Cash received as reimbursement of capital expenditures	(1,115)	(12,172)
Cash paid, net of reimbursement, for capital expenditures	$7,002	$6,370

Cash used in investing activities decreased from $32,613,000 in 2012 to $24,111,000 in 2013. This decrease was primarily attributable to a reduction in the net purchases of marketable securities in 2013 compared to 2012. Such purchases totaled a net $26,258,000 in 2012 and decreased to total net purchases of $8,150,000 in 2013. Partially offsetting this was an increase in cash used for capital expenditures from $9,112,000 in 2012 to $18,542,000 in 2013. This increase was attributable to certain capital projects undertaken and completed in 2013 on behalf of certain of our customers. Our capital expenditures and customer reimbursements are summarized in the table above.

Financing Activities

Cash used in financing activities increased from $10,617,000 in 2013 to $21,044,000 in 2014. This increase was primarily due to $19,292,000 being received in 2013 from the issuance of stock and no such receipts being present in 2014. Partially off-setting the decrease in proceeds from the issuance of stock was a decrease in dividends paid in 2014. In 2013, dividends paid totaled $29,904,000 and included a special dividend of $0.25 per share of our common stock. In 2014, dividends paid totaled $20,928,000 and no special dividends were paid.

Cash used in financing activities decreased from $63,283,000 in 2012 to $10,617,000 in 2013. This decrease was primarily due to decreased dividends paid in 2013 compared to 2012 and an increase in proceeds from the issuance of stock in 2013 compared to 2012. In 2013, we paid $29,904,000 in dividends on our common stock including a special dividend payment of $0.25 per share of our common stock. Dividend payments in 2012 included a special dividend payment of $1.20 per common share and totaled $66,538,000. Additionally, cash proceeds from the issuance of common shares as part of our At-the Market offering and cash received from options exercised was $3,149,000 in 2012. In 2013, such net proceeds totaled $19,292,000.

Capital Expenditure Commitments

We had no material capital projects that generated commitments as of December 31, 2014.

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

Credit Facility

We renewed a $50 million credit agreement with a commercial bank effective June 30, 2013. The loan is a revolving facility the proceeds of which may be used for our working capital, capital expenditures, and general corporate purposes. The facility terminates on June 30, 2018. Advances are made pursuant to a borrowing base. Advances are secured by a perfected first priority security interest in our accounts receivable and inventory. The interest rate floats at certain margins over LIBOR or base rate based upon the leverage ratio from time to time. There is an unused commitment fee. The ratio of total funded debt to EBITDA may not be more than 3:1. We had no borrowings under this credit facility at December 31, 2014, 2013, or 2012.

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

Department of Energy Grant

We entered into a contract with a customer to design, construct, and operate a commercial-scale plant to produce intermediate anode powder as a component of high-performance graphite anode materials for lithium-ion batteries. In connection with this contract, we applied for a financial assistance award under the Electric Drive Vehicle Battery and Component Manufacturing Initiative administered by the Department of Energy National Energy Technology Laboratory on behalf of the Office of Energy Efficiency and Renewable Energy. An award was granted to us in the amount of $12,600,000, which we accepted on July 27, 2010. The funds were to be used to modify existing idle assets and to acquire and construct new assets to be used for the production of specialized materials for lithium-ion batteries for electric cars and other applications. We received grant monies on a cost share basis as we incurred construction-related expenditures.

On July 29, 2013, FutureFuel received notice from the chemicals segment customer for the intermediate anode powder that the customer would terminate the contract in accordance with its terms effective August 9, 2014. FutureFuel did not produce or sell additional material in 2013 or 2014 under that agreement. As a result of this notice, FutureFuel assessed the carrying values of its fixed assets and deferred revenue associated with this product and recorded an impairment loss of $17,580,000 for the equipment and recorded a reduction of deferred revenue as an element of cost of goods sold slightly offset by other expenses in the amount of $16,160,000 in the third quarter of 2013. The net impact of this impairment of $1,420,000 was recorded in cost of goods sold.

In 2014, FutureFuel's customer paid the final minimum take or pay amounts per the terms of the sales agreement through the termination date. Revenues from this arrangement totaled $8,816,000 and $4,640,000 in 2014 and 2013, respectively.

Dividends

In 2014, we paid regular cash dividends aggregating $0.48 per share on our common stock with record dates and payment dates as previously discussed. The regular cash dividends totaled $20,928,000.

In 2013, we declared a special cash dividend aggregating $0.25 per share on our common stock, with a record date and payment date previously discussed. The special cash dividend amounted to $10,835,000. We also paid regular cash dividends aggregating $0.44 per share on our common stock, with record dates and payment dates as previously discussed. The regular cash dividends amounted to $19,069,000, for total dividends paid by us in 2013 of $29,904,000.

Capital Management

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

A significant portion of these funds were held in cash or cash equivalents at multiple financial institutions. In 2014 and 2013, we also had investments in certain preferred stock, trust preferred securities, exchange traded debt, and

other equity instruments. We classify these investments as current assets in the accompanying consolidated balance sheets and designate them as being “available-for-sale”. Accordingly, they are recorded at fair value, with the unrealized gains and losses, net of taxes, reported as a component of stockholders’ equity. The fair value of these preferred stock, trust preferred securities, exchange traded debt, and other equity instruments, including accrued dividends and interest, totaled $87,720,000 and $104,271,000 at December 31, 2014 and 2013, respectively.

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

Off-Balance Sheet Arrangements

We engage in two types of hedging transactions. First, we hedge our biofuels sales through the purchase and sale of futures contracts and options on futures contracts of energy commodities. This activity was captured on our balance sheet at December 31, 2014 and December 31, 2013. 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, 2014 or December 31, 2013 as they do not meet the definition of a derivative instrument as defined under accounting principles generally accepted in the U.S. 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, 2014 the payments due by period for the following contractual obligations.

(Dollars in thousands)

Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt obligations[a]	$-	$-	$-	$ -	$ -
Capital lease obligations	$-	$-	$-	$ -	$ -
Operating lease obligations	$2,868	$992	$1,375	$ 191	$ 310
Purchase obligations[b]	$5,658	$5,658	$-	$ -	$ -
Other long-term liabilities reflected on our balance sheet under GAAP[c]	$-	$-	$-	$ -	$ -
Total	$8,526	$6,650	$1,375	$ 191	$ 310

(a) As of December 31, 2014, we had no borrowings under the $50 million credit agreement described above.

(b) Purchase obligations within less than one year include: (i) the purchase of biodiesel feedstock to be taken during 2015; and (ii) various other infrastructure and capital repairs.

(c) A component of other noncurrent liabilities is a reserve for asset retirement obligations and environmental contingencies of $796 at December 31, 2014. We are liable for these asset retirement obligations and environmental contingencies only in certain events, primarily the closure of our Batesville, Arkansas facility. As such, we do not expect a payment related to these liabilities in the foreseeable future and therefore we have excluded this amount from the table above.

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

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

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

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

In order to manage price risk caused by market fluctuations in biofuel prices, we may enter into exchange traded commodity futures and options contracts. We account for these derivative instruments in accordance with ASC 815-20-25, *Derivatives and Hedging, Hedging-General, Recognition*. Under this standard, the accounting for changes in the fair value of a derivative instrument depends upon whether it has been designated as an accounting hedging relationship and, further, on the type of hedging relationship. To qualify for designation as an accounting hedging relationship, specific criteria must be met and appropriate documentation maintained. We had no derivative instruments that qualified under these rules as designated accounting hedges in 2014 or 2013. Changes in the fair value of our derivative instruments are recognized at the end of each accounting period and recorded in the statement of operations as a component of cost of goods sold.

Our immediate recognition of derivative instrument gains and losses can cause net income to be volatile from period to period due to the timing of the change in value of the derivative instruments relative to the sale of biofuel being sold. As of December 31, 2014 and 2013, the fair values of our derivative instruments were a net asset in the amount of $68,000 and a net liability in the amount of $328,000, 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 2014. We included only those raw materials and conversion costs for which a hypothetical adverse change in price would result in a 1% or greater decrease in gross profit. Assuming that the prices of the associated finished goods could not be increased and assuming no change in quantities sold, a hypothetical 10% change in the average price of the commodities listed below would result in the following change in annual gross profit.

(Volumes and dollars in thousands)

Item	Volume[(a)] Requirements	Units	Hypothetical Adverse Change in Price	Decrease in Gross Profit	Percentage Decrease in Gross Profit	
Crude corn oil and yellow grease	279,423	LB	10%	$ 9,025	13.7	%
Petrodiesel	24,639	GAL	10%	$ 7,001	10.6	%
Methanol	121,931	LB	10%	$ 2,743	4.2	%
Natural Gas	1,292	MCF	10%	$ 636	1.0	%

(a) Volume requirements and average price information are based upon volumes used and prices obtained for the twelve months ended December 31, 2014. Volume requirements may differ materially from these quantities in future years as our business evolves.

We had no borrowings as of December 31, 2014 or 2013 and, as such, we were not exposed to interest rate risk for those years. Due to the relative insignificance of transactions denominated in a foreign currency, we consider our foreign currency risk to be immaterial.

Item 8. Financial Statements and Supplementary Data.

Financial Statements.

The following sets forth our consolidated balance sheets as at December 31, 2014 and 2013 and our consolidated statements of operations, statements of cash flows, and statements of stockholders' equity for each of the three years in the period ended December 31, 2014, together with RubinBrown LLP's report thereon.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

FutureFuel Corp.:

We have audited the accompanying consolidated balance sheets of FutureFuel Corp. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. FutureFuel Corp.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FutureFuel Corp. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity

with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), FutureFuel Corp. and subsidiaries' internal control over financial reporting as of December 31, 2014, 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 12, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ RubinBrown LLP

St. Louis, Missouri

March 12, 2015

FutureFuel Corp.

Consolidated Balance Sheets

As of December 31, 2014 and 2013

(Dollars in thousands)

	2014	2013
Assets		
Cash and cash equivalents	$124,079	$86,463
Accounts receivable, inclusive of the BTC of $28,954 and $0, and net of allowance of $0 and $0, in 2014 and 2013, respectively	50,135	28,620
Accounts receivable – related parties	1,173	4,629
Inventory	45,353	42,164
Income tax receivable	19,716	14,732
Prepaid expenses	1,670	1,843
Marketable securities	87,720	104,271
Other current assets	1,619	566
Total current assets	331,465	283,288
Property, plant and equipment, net	127,371	128,671
Other assets	2,652	2,488
Total noncurrent assets	130,023	131,159
Total Assets	$461,488	$414,447
Liabilities and Stockholders' Equity		
Accounts payable	$30,386	$14,927
Accounts payable - related parties	2,912	857
Current deferred income tax liability	11,003	8,787
Deferred revenue – short-term	1,940	6,869
Contingent liability – short-term	1,151	1,151
Accrued expenses and other current liabilities	4,649	7,802
Accrued expenses and other current liabilities - related parties	46	3
Total current liabilities	52,087	40,396
Deferred revenue – long-term	15,927	13,522
Other noncurrent liabilities	4,024	2,690
Noncurrent deferred income tax liability	30,441	29,249
Total noncurrent liabilities	50,392	